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REGISTER AND RECORDER

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DECLARATION OF RIGHTS, EASEMENTS, COVENANTS, MONROE COUNTY, PA.
CONDITIONS, AFFIRMATIVE OBLIGATIONS AND
RESTRICTIONS APPLICABLE TO BLUE MOUNTAIN LAKE

THIS DECLARATION, is made as of this 11th day of May, 1993 by BRUSHY MOUNTAIN COMPANY, LTD., as Managing General Partner of and on behalf of BLUE MOUNTAIN LAKE ASSOCIATES, L.P., (hereinafter referred to as "BML" or "DECLARANT") a Pennsylvania Limited Partnership.

WITNESSETH:

INTRODUCTORY - STATEMENT OF PURPOSE
AND IMPOSITION OF COVENANTS

A. WHEREAS, BML is the owner of certain real property located in Stroud Township, Monroe County, Commonwealth of Pennsylvania and described in Exhibit "A" to THIS DECLARATION and referred to in THIS DECLARATION as the "INITIAL PROPERTY."

B. WHEREAS, BML is the owner of or otherwise has an interest in one or more other parcels of real property located in Stroud Township and described in Exhibit "B" to THIS DECLARATION and which are contiguous or adjacent to the INITIAL PROPERTY and referred to in THIS DECLARATION as the "ADDITIONAL PROPERTY."

C. WHEREAS, BML desires that the INITIAL PROPERTY be held, sold and conveyed subject to the provisions of THIS DECLARATION as the same may be amended from time to time.

D. NOW, THEREFORE, BML hereby declares that the INITIAL PROPERTY shall from this day forward during the term as provided for by Section 8.3 below of THIS DECLARATION be held, sold and conveyed subject to the rights, affirmative obligations, easements, covenants, conditions, restrictions, liens, charges and other provisions contained in THIS DECLARATION as the same may be amended from time to time and all of which are hereby established for the purpose of enhancing and protecting the value, desirability, marketability and attractiveness of the real estate constituting the BLUE MOUNTAIN LAKE PROPERTIES (as defined below). These rights, affirmative obligations, easements, covenants, restrictions, liens, charges and conditions shall run with all real estate subject to or made subject to the provisions of THIS DECLARATION and shall be binding on all parties having or acquiring any right, title or interest in the BLUE MOUNTAIN LAKE PROPERTIES or any part thereof, and shall inure to the benefit of each owner of any real estate which is or shall become subject to the provisions of THIS DECLARATION.

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ARTICLE I
DEFINITIONS

The following words, phrases and terms, when used in fully capitalized form in THIS DECLARATION, any SUPPLEMENTARY DECLARATION, any CLUSTER DECLARATION or any amendment or supplement to any of them, shall have the meanings and references as provided for below in this Article I.

Section 1.1. "ACTIVE MEMBER" shall mean and refer to that class of member of the ASSOCIATION and the UTILITIES ASSOCIATION referred to as such in Sections 3.3.1(a) and 9.3.1(a) of THIS DECLARATION. The membership of any ACTIVE MEMBER is referred to as an ACTIVE MEMBERSHIP.

Section 1.2. "ACTIVE RECREATION AREA" shall mean those portions, if any, of the PRD COMMON AREA designated as such on any SUPPLEMENTARY DECLARATION annexing such area pursuant to Article II of THIS DECLARATION.

Section 1.3. "ADDITIONAL PROPERTY" shall mean each of the following to the extent not made subject to the scheme of THIS DECLARATION pursuant to Article II below:

1.3.1 The real property described in Exhibit "B" to THIS DECLARATION, and

1.3.2 Upon being so designated by the DECLARANT in a RECORDED DOCUMENT, each other parcel of real property any portion of which is contiguous, adjacent to or within one hundred (100) feet of (i) the INITIAL PROPERTY, (ii) the real property described in Exhibit "B" or (iii) any real property which at any time hereafter has been made subject to THIS DECLARATION pursuant to Article II below.

Section 1.3(a). "ADDITIONAL SERVICE AREAS" shall mean the parcel or parcels of real property not included within the BLUE MOUNTAIN LAKE PROPERTIES to which the UTILITIES ASSOCIATION may extend the SEWER SYSTEM and the WATER SYSTEM pursuant to Section 9.4.4 below, whereby such parcel or parcels of real property shall be made subject to THIS DECLARATION for the limited purposes as provided herein.

Section 1.4. "ANNEXATION" shall mean the procedure provided for by Article II below whereby portions of the ADDITIONAL PROPERTY may from time to time be made subject to the provisions of THIS DECLARATION. THIS DECLARATION will on occasion refer to such real estate as having been "annexed" to the scheme of THIS DECLARATION.

Section 1.5. "ANNEXATION PERIOD" shall mean the time period extending from the date of recording of THIS DECLARATION until:

1.5.1 Ten (10) years after the date of recording of THIS DECLARATION if no SUPPLEMENTARY DECLARATION provided for by Sections 2.2 and 2.3 below has during such ten (10) year period been recorded to annex any portion of the ADDITIONAL PROPERTY to the scheme of THIS DECLARATION, or

1.5.2 If a SUPPLEMENTARY DECLARATION provided for by Sections 2.2 and 2.3 below has been recorded to annex any portion of the ADDITIONAL PROPERTY to the scheme of THIS DECLARATION during such ten (10) year period, then ten (10) years after the date of recording of the last SUPPLEMENTARY DECLARATION recorded pursuant to Sections 2.2 and 2.3 below so long as each such SUPPLEMENTARY DECLARATION is recorded within ten (10) years of the filing of the immediately prior SUPPLEMENTARY DECLARATION.

Notwithstanding the foregoing provisions of this Section 1.5 the ANNEXATION PERIOD shall terminate at such time as there shall be no ADDITIONAL PROPERTY that has not been made subject to the scheme of THIS DECLARATION pursuant to Article II below.

Section 1.6. "ANNEXED LANDS" shall mean real estate annexed to the scheme of THIS DECLARATION pursuant to Article II below.

Section 1.7. "APPROVED HOME" shall mean a HOME permitted at any point in time to be constructed in BLUE MOUNTAIN LAKE PROPERTIES under preliminary or final subdivision approvals.

Section 1.8. "ARTICLES" shall mean the Articles of Incorporation of the ASSOCIATION as said ARTICLES are amended from time to time.

Section 1.9. "ASSESSMENT" shall mean the obligation of an OWNER to the ASSOCIATION for any or all of the following: (1) GENERAL ASSESSMENTS, (2) DEFAULT ASSESSMENTS, (3) CLUSTER ASSESSMENTS, (4) LOT MAINTENANCE CHARGES, (5) TRANSFER FEES and LEASING FEES, and (6) any fines, interest and penalties imposed by the ASSOCIATION pursuant to THIS DECLARATION or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT and (7) SPECIAL ASSESSMENTS.

Section 1.10. "ASSESSMENT COMMENCEMENT DATE" shall mean the date on which the first LOT shall be conveyed to a transferee that is not a SUCCESSOR DECLARANT, except that by written notice to the BOARD the DECLARANT may designate a later date as the ASSESSMENT COMMENCEMENT DATE.

Section 1.11. "ASSOCIATION" shall mean "The Blue Mountain Lake Club", a Pennsylvania non-profit corporation, its successors and assigns.

Section 1.12. "ASSOCIATION RULES" shall mean the rules and regulations adopted by the ASSOCIATION pursuant to Section 3.6 of THIS DECLARATION and other applicable provisions of any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT.

Section 1.13. "ATTACHED MANORHOME" shall mean a MANORHOME which shares a party wall or its functional equivalent with another HOME.

Section 1.14. "BLUE MOUNTAIN LAKE PROPERTIES" shall mean and refer to the INITIAL PROPERTY and the ADDITIONAL PROPERTY which is made subject to THIS DECLARATION.

Section 1.15. "BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS" shall mean THIS DECLARATION, any SUPPLEMENTARY DECLARATIONS, all BY-LAWS adopted pursuant to THIS

DECLARATION, the ARTICLES, all CLUSTER DECLARATIONS, the ASSOCIATION RULES, the DESIGN REVIEW COMMITTEE RULES, the DESIGN GUIDELINES, the ENVIRONMENTAL GUIDELINES, THE ENVIRONMENTAL COMMITTEE RULES, the RESIDENTS' RELATIONS COMMITTEE RULES, any agreement entered into pursuant to Section 3.5.5 of THIS DECLARATION, the UTILITIES ASSOCIATION DOCUMENTS, and all amendments and supplements to any of the foregoing.

Section 1.16. "BOARD" shall mean the Board of Directors of the ASSOCIATION.

Section 1.17. "BY-LAWS" shall mean the BY-LAWS of the ASSOCIATION adopted pursuant to Section 3.10 of THIS DECLARATION as such BY-LAWS may be amended from time to time.

Section 1.18. "CHARGEABLE TRANSFER" shall mean a transaction defined as such in Section 4.12.2 below.

Section 1.19. "CLUSTER" shall mean a group of LOTS, and any LIMITED COMMON AREAS appurtenant to such LOTS made subject to the provisions of a CLUSTER DECLARATION together with the CLUSTER COMMON AREA appurtenant thereto,

Section 1.20. "CLUSTER ASSESSMENT" shall mean that type of ASSESSMENT referred to in Section 4.11 of THIS DECLARATION.

Section 1.21. "CLUSTER COMMITTEE" shall mean a committee, if any, established pursuant to Section 4.11.2 below.

Section 1.22. "CLUSTER COMMON AREA" shall mean those portions of the LIMITED COMMON AREAS which, pursuant to the provisions of the CLUSTER DECLARATION for such CLUSTER or CLUSTERS, are intended primarily for the use or benefit of OWNERS or occupants of LOTS in one or more specified CLUSTERS. Any such Cluster Declaration may limit the use of any such CLUSTER COMMON AREAS to the OWNERS or occupants in such CLUSTER.

Section 1.23. "CLUSTER DECLARATION" shall mean a RECORDED DOCUMENT filed of record pursuant to the provisions of Section 8.15 of THIS DECLARATION as such CLUSTER DECLARATION may be amended from time to time, together with any and all CLUSTER SUPPLEMENTARY DECLARATIONS which may be recorded from time to time pursuant to the provisions of such CLUSTER DECLARATION.

Section 1.24. "CLUSTER PLAT" shall mean a plat, survey or plan which describes all or a portion of a CLUSTER and which has been RECORDED by a DECLARANT or has been attached to and made a part of an INITIAL DEED that pertains to a LOT described in such plat, survey or plan, or has been attached to a CLUSTER DECLARATION, or other document RECORDED by a DECLARANT.

Section 1.25. "CONVERSION DATE" shall mean the date upon which all FOUNDING MEMBERSHIPS shall be converted to ACTIVE MEMBERSHIPS pursuant to Section 3.3.2 of THIS DECLARATION.

Section 1.26. "CONVEYED LOT" shall mean any LOT owned by other than the DECLARANT or a SUCCESSOR DECLARANT.

Section 1.27.

1.27.1 "DECLARANT" shall mean and refer to BLUE MOUNTAIN LAKE ASSOCIATES, L.P. and BRUSHY MOUNTAIN COMPANY, LTD., its Managing General Partner, and such successors and assigns of BLUE MOUNTAIN LAKE ASSOCIATES, L.P. and BRUSHY MOUNTAIN COMPANY, LTD. as shall acquire any portion of the BLUE MOUNTAIN LAKE PROPERTIES or of the ADDITIONAL PROPERTY for the purpose of development and be designated a SUCCESSOR DECLARANT pursuant to this Section 1.27.1 by BLUE MOUNTAIN LAKE ASSOCIATES, L.P. or by any such successors and assigns in a RECORDED DOCUMENT.

1.27.2 Any designation pursuant to Section 1.27.1 above by DECLARANT or by a SUCCESSOR DECLARANT may, by its terms, (i) be for specific designated purposes, (ii) be limited in application to specified portions of the BLUE MOUNTAIN LAKE PROPERTIES, or (iii) be for all purposes, and may be subject to such limitations and such reservations as DECLARANT or such SUCCESSOR DECLARANT may provide in such designation or election. Such designation may also include the right of redesignation by such SUCCESSOR DECLARANT or further SUCCESSOR DECLARANTS subject to specified limitations and reservations. Any such designation in a mortgage shall become effective upon the occurrence of such event or events as shall be specified in such document.

1.27.3 On occasion, reference may be made in THIS DECLARATION to "SUCCESSOR DECLARANTS", "successors to DECLARANT" or "a successor to DECLARANT." Such reference is not intended to limit, modify or affect in any other context the construction of the term "DECLARANT" as defined in this Section 1.27.1 and is merely so used in a particular context for possible further clarity.

Section 1.28. "DECLARANT CONTROL PERIOD" shall mean the period of time commencing upon the recording of THIS DECLARATION and terminating upon the first date on which the DECLARANT and all SUCCESSOR DECLARANTS together own fewer than twenty (20) LOTS, provided that on such date neither the DECLARANT nor any SUCCESSOR DECLARANT together own any portion of the ADDITIONAL PROPERTY that has not been annexed to the scheme of this DECLARATION.

Section 1.29. "DECLARANT'S CONTRIBUTION" shall mean the funds required to be contributed by DECLARANT to the ASSOCIATION pursuant to Section 4.14 of THIS DECLARATION.

Section 1.30. "DECLARANT LOT" shall refer to any LOT owned by the DECLARANT or a SUCCESSOR DECLARANT.

Section 1.31. "DECLARANT RELATED AMENDMENT" shall have the meaning provided for by Section 8.16.2 below.

Section 1.32. "DECLARANT'S RESERVED POWERS" shall mean and refer to the powers and prerogatives reserved to DECLARANT as provided for by Section 8.16 of THIS DECLARATION.

Section 1.33. "DECLARATION", or "THIS DECLARATION", shall mean and refer to this Declaration of Rights, Easements, Covenants, Conditions, Affirmative Obligations and Restrictions Applicable to Blue Mountain Lake, as the same may be amended from time to time, together with any and all SUPPLEMENTARY DECLARATIONS which may be recorded from time to time pursuant to the provisions

of Article II hereof or of any other provision of THIS DECLARATION.

Section 1.34. "DEFAULT ASSESSMENT" shall mean monetary fines assessed against an OWNER pursuant to any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT, and any expense of the ASSOCIATION which is the obligation of an OWNER or which is incurred by the ASSOCIATION on behalf of an OWNER pursuant to any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT.

Section 1.35. "DESIGN GUIDELINES" the guidelines adopted by the DESIGN REVIEW COMMITTEE pursuant to Section 5.7 below.

Section 1.36. "DESIGN REVIEW COMMITTEE" shall mean a committee created pursuant to Article V hereof.

Section 1.37. "DESIGN REVIEW COMMITTEE RULES" shall mean the rules adopted by the DESIGN REVIEW COMMITTEE pursuant to Section 5.8 of THIS DECLARATION.

Section 1.38. "DETACHED MANORHOME" shall refer to a MANORHOME that is not an ATTACHED MANORHOME.

Section 1.39. "ENVIRONMENTAL COMMITTEE" shall mean a committee created pursuant to Section 5.17 below.

Section 1.40. "ENVIRONMENTAL COMMITTEE RULES" shall refer to the rules adopted by the ENVIRONMENTAL COMMITTEE Pursuant to Section 5.17 below.

Section 1.41. "ENVIRONMENTAL GUIDELINES" shall refer to the guidelines adopted by the ENVIRONMENTAL COMMITTEE. These guidelines may relate to any matters concerning the protection of the environment, which (without limiting the generality of the foregoing) shall include regulation of the use on the BLUE MOUNTAIN LAKE PROPERTIES of pesticides, fertilizers and other chemicals, the removal and maintenance of trees and other vegetation, protection and use of ground and surface water and of other natural resources.

Section 1.42. "ESTATE LOT" shall refer to a LOT designated as such in the CLUSTER DECLARATION of the CLUSTER in which such LOT is located or designated as such in the LOT PLAT or a CLUSTER PLAT which includes such LOT. If a LOT is not designated in any CLUSTER DECLARATION, CLUSTER PLAT or LOT PLAT as being either an ESTATE LOT or a MANORHOME LOT it shall be an ESTATE LOT if it is twenty thousand (20,000) or more square feet in size.

Section 1.43. "ESTATE LOT HOME" shall refer to a HOME that is located on an ESTATE LOT.

Section 1.44. "FAMILY TRANSFER" shall mean a transaction defined as such in Section 4.12.2.2 below.

Section 1.45. "FOUNDING MEMBER" shall mean and refer to that class of member of the ASSOCIATION and the UTILITIES ASSOCIATION referred to as such in Sections 3.3.1(b) and 9.3.1(b) of THIS DECLARATION. The membership of a FOUNDING MEMBER is referred to as a FOUNDING

MEMBERSHIP.

Section 1.46. "FULLY DEVELOPED HOME" shall mean a HOME the construction of which has been substantially completed.

Section 1.47. "GENERAL ASSESSMENT" shall mean that type of ASSESSMENT referred to in Section 4.2 of THIS DECLARATION.

Section 1.48. "HOME" shall mean a structure situated upon the PROPERTIES intended for occupancy as a residence by one or more persons who maintain a common household.

Section 1.49. "IMPROVEMENTS" shall mean buildings, roads, driveways, walkways, parking areas, fences, walls, covered patios, porches, elevated porches, decks, balconies, artificial pools, hedges, plantings, planted trees and shrubs, and all other structures or landscaping improvements of every kind, nature and description.

Section 1.50. "INITIAL CONVEYANCE" shall mean with respect to a particular LOT the first conveyance of such LOT to an OWNER other than DECLARANT or a SUCCESSOR DECLARANT.

Section 1.51. "INITIAL CONVEYANCE DATE" shall mean the date of the INITIAL CONVEYANCE.

Section 1.52. "INITIAL DEED" shall mean with respect to a particular LOT the first deed conveying such LOT to an OWNER other than DECLARANT or a SUCCESSOR DECLARANT.

Section 1.53. "INITIAL PROPERTY" is defined in Subparagraph A of the Introductory Paragraph of THIS DECLARATION.

Section 1.54. "LEASING FEES" the fees provided for by Section 4.12.1(b) below.

Section 1.55. "LIMITED COMMON AREAS" shall mean all portions of the PROPERTIES designated as "LIMITED COMMON AREAS" on any RECORDED final plan of any portion of the PROPERTIES or designated as such in any SUPPLEMENTARY DECLARATION, CLUSTER DECLARATION, CLUSTER PLAT or LOT PLAT and shall include any CLUSTER COMMON AREAS.

Section 1.56. "LOT" shall mean and refer to any numbered or otherwise designated plot of ground shown upon any final recorded map of the BLUE MOUNTAIN LAKE PROPERTIES, or described as a "LOT" for purposes of THIS DECLARATION in the INITIAL DEED of such LOT, or in any LOT PLAT or CLUSTER PLAT and unless otherwise specified shall include any IMPROVEMENTS thereon erected, except that the term "LOT" shall not refer to any portion or the whole of the PRD COMMON AREA, CLUSTER COMMON AREA any LIMITED COMMON AREA, or CLUSTER LIMITED COMMON AREA or areas dedicated to and accepted by any state or local public authority.

Section 1.57. "LOT MAINTENANCE CHARGE" shall mean a charge imposed pursuant to Section 4.13 below upon certain UNDEVELOPED LOTS.

Section 1.58. "LOT PLAT" shall mean a plat, survey or plan which describes one or more lots

and which has been recorded by a DECLARANT with the Recorder of Deeds of Monroe County or has been attached to and made a part of the INITIAL DEED of such LOT, a CLUSTER DECLARATION, or other documents so recorded by a DECLARANT.

Section 1.59. "MANAGER" shall mean such individuals or entities, retained by the ASSOCIATION or by the UTILITIES ASSOCIATION to perform specified functions of the ASSOCIATION or the UTILITIES ASSOCIATION, as applicable. A MANAGER may also be retained by the ASSOCIATION or the UTILITIES ASSOCIATION to manage and administer their affairs and consult with their officers and directors, as applicable.

Section 1.60. "MANORHOME" shall refer to a HOME designated as such in the CLUSTER DECLARATION for the CLUSTER within which such HOME is located or located on a LOT designated in any CLUSTER DECLARATION, LOT PLAT or CLUSTER PLAT as being a MANORHOME LOT or otherwise located on a LOT which is not an ESTATE HOME LOT, as defined herein.

Section 1.61. "NEIGHBOR MEMBER" shall mean and refer to that class of member of the ASSOCIATION referred to as such in Section 3.3.4 of THIS DECLARATION. The membership of a NEIGHBOR MEMBER is referred to as a NEIGHBOR MEMBERSHIP.

Section 1.62. "NOTICED MORTGAGEE" shall mean and refer to any holder, insurer or governmental guarantor of a QUALIFYING MORTGAGE with respect to which mortgage the ASSOCIATION has received notice as provided for by Section 8.12 of THIS DECLARATION.

Section 1.63. "OVERDUE ASSESSMENT" shall mean an ASSESSMENT or a UTILITIES ASSESSMENT that has not been paid the date the same is due.

Section 1.64. "OWNER" shall mean and refer to the record owner (including DECLARANT), whether one or more persons or entities, of a fee simple title to any LOT. However, if the LOT is subject to a life estate or to a term of years initially in excess of twenty (20) years, then the OWNER shall be the life or term tenant holding such estate. In the case of a life estate or term of years initially in excess of twenty (20) years, the holder(s) of the remainder interest shall be deemed the OWNER of the LOT upon the termination of all applicable life estates or terms of years. The term "OWNERS" shall refer to the plural of the term "OWNER" as so defined and shall refer to all such OWNERS unless otherwise limited in a particular context.

Section 1.65. "PARKING AREAS" shall mean and refer to all of those portions (if any) of the PRD COMMON AREA and any LIMITED COMMON AREA intended to be used for vehicle parking purposes.

Section 1.65A. "PATIO HOME" shall mean a MANORHOME which is free-standing and not attached to any other MANORHOME.

Section 1.66. "PRD COMMON AREA" shall mean all those portions of the BLUE MOUNTAIN LAKE PROPERTIES (including the IMPROVEMENTS thereto) designated as "PRD COMMON AREA" on any RECORDED map, survey or plat of any portion of the BLUE MOUNTAIN LAKE PROPERTIES RECORDED by a DECLARANT or designated as "PRD COMMON AREA" in THIS DECLARATION or any SUPPLEMENTARY DECLARATION or in any deed of any portion of the BLUE MOUNTAIN LAKE

PROPERTIES from a DECLARANT to the ASSOCIATION. The 'PRD COMMON AREA' shall be owned by the ASSOCIATION for the common use and enjoyment of the members of the ASSOCIATION, subject to and as provided for by THIS DECLARATION and any applicable SUPPLEMENTARY DECLARATION. The PRD COMMON AREA described in Exhibit 'C' shall be owned by the ASSOCIATION at the time of the INITIAL CONVEYANCE DATE.

Section 1.67. 'PRICE INDEX' shall refer to the 'All Urban Consumers (CPI-U) Consumers Price Index for Philadelphia - all items (1982-84 = 100) of the U.S. Department of Labor, Bureau of Labor Statistics.

Section 1.68. 'PRIOR MORTGAGE' shall refer to a first mortgage made in good faith and for value that is of record as an encumbrance against a LOT prior to the recordation of a claim of lien for the ASSESSMENTS provided for in THIS DECLARATION against such LOT.

Section 1.69. 'QUALIFYING MORTGAGE' shall mean any of the following: (i) any first mortgage, or (ii) any junior mortgage approved by the BOARD as a QUALIFYING MORTGAGE or which initially creates a lien in favor of the DECLARANT or the seller of a LOT.

Section 1.70. 'RECORDED' shall mean the act of recording a document, survey, plat or plan with the Recorder of Deeds of Monroe County, executed and acknowledged by the appropriate person or persons under the circumstances.

Section 1.71. 'RECORDED DOCUMENT' shall refer to any document recorded with the Recorder of Deeds of Monroe County, which has been executed and acknowledged by the appropriate person or persons under the circumstances.

Section 1.72. 'RESIDENTS' RELATIONS COMMITTEE' shall mean the committee referred to as such in Section 8.20 of THIS DECLARATION.

Section 1.73. 'RESIDENTS' RELATIONS COMMITTEE RULES' shall mean the rules adopted by the RESIDENTS' RELATIONS COMMITTEE pursuant to Section 8.20.6 of THIS DECLARATION.

Section 1.74. 'SEWER SYSTEM' shall mean all buildings, basins, machinery, mains, conduits, pipes, pipelines, interceptor lines, outfall lines, trunk lines, service lines, sewage treatment plants and systems, tanks, shops, pumping stations, ejector stations, force mains, fixtures, engines, boilers, pumps, meters and other equipment, together with all appurtenant facilities and properties, including all property, real, personal or mixed, used or useful in connection with collection, transportation, disposal and/or treatment of sanitary sewage and related wastewater flows within the BLUE MOUNTAIN LAKE PROPERTIES or any ADDITIONAL SERVICE AREAS as authorized pursuant to Section 9.4.4 below, to be acquired and constructed pursuant to plans and specifications approved by the DECLARANT; Provided however, that such term shall not include service lines or other facilities required to be provided by any OWNER in regard to connecting any HOME or LOT to the SEWER SYSTEM.

Section 1.75. 'SPECIAL ASSESSMENT' shall mean that type of ASSESSMENT referred to in Section 4.3 of THIS DECLARATION.

Section 1.76. "SUCCESSOR DECLARANT" shall mean a DECLARANT other than BLUE MOUNTAIN LAKE ASSOCIATES, L.P.

Section 1.77. "SUPPLEMENTARY DECLARATION" shall mean the document recorded pursuant to the provisions of Article II of THIS DECLARATION to effectuate an ANNEXATION of ADDITIONAL PROPERTY thereunder.

Section 1.78. "TENANTS" are persons occupying a HOME pursuant to a lease that is consistent with all applicable provisions of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

Section 1.79. "TRANSFER FEES" are the fees provided for by Section 4.12 below.

Section 1.80. "TRANSFER PRICE" is the price provided for by Section 4.12.2.3 below.

Section 1.81. An "UNDEVELOPED APPROVED HOME" shall be a HOME provided for by either final or preliminary subdivision approval that has not been so improved as to constitute a FULLY DEVELOPED HOME. The number of "UNDEVELOPED APPROVED HOMES" shall be equal to the total number of APPROVED HOMES less the number of FULLY DEVELOPED HOMES.

Section 1.82. "UNDEVELOPED LOT" shall mean any LOT that does not have constructed on it a FULLY DEVELOPED HOME.

Section 1.83. "UTILITIES ASSOCIATION" shall mean "The Blue Mountain Lake Utilities Association", a Pennsylvania non-profit corporation, its successors and assigns.

Section 1.84. "UTILITIES ASSOCIATION ARTICLES" shall mean the Articles of Incorporation of the UTILITIES ASSOCIATION as the same are amended from time to time.

Section 1.85. "UTILITIES ASSESSMENTS" shall mean the obligation of an OWNER to the UTILITIES ASSOCIATION for any or all of the rates, charges, fees, fines, interest and penalties, as applicable, imposed by the UTILITIES ASSOCIATION pursuant to Section 9.5.1 below.

Section 1.86. "UTILITIES ASSOCIATION BOARD" shall mean the Board of Directors of the UTILITIES ASSOCIATION.

Section 1.87. "UTILITIES ASSOCIATION BY-LAWS" shall mean the By-Laws of the UTILITIES ASSOCIATION adopted pursuant to Section 9.10 of THIS DECLARATION as the same may be amended from time to time.

Section 1.88. "UTILITIES ASSOCIATION DOCUMENTS" shall mean THIS DECLARATION, the UTILITIES ASSOCIATION ARTICLES, the UTILITIES ASSOCIATION BY-LAWS, the UTILITIES ASSOCIATION RULES and all amendments and supplements to any of the foregoing.

Section 1.89. "UTILITIES ASSOCIATION RULES" shall mean the rules and regulations adopted by the UTILITIES ASSOCIATION pursuant to Section 9.4.7 below.

Section 1.90. "UTILITY SYSTEMS" shall mean the SEWER SYSTEM and the WATER SYSTEM and all other facilities or property (real, personal or mixed) acquired, owned, constructed, leased, operated or used by or on behalf of the UTILITIES ASSOCIATION and used or useful in connection with providing UTILITY SERVICE within the BLUE MOUNTAIN LAKE PROPERTIES and any ADDITIONAL SERVICE AREAS as authorized under Section 9.4.4 below.

Section 1.91. "UTILITY SERVICE" shall mean sanitary sewage collection and disposal service by use of the SEWER SYSTEM, public water supply service by use of the WATER SYSTEM, electric distribution service, telephone or other communication service, natural gas supply or other energy-related service, household waste or trash collection and disposal service to OWNERS within the BLUE MOUNTAIN LAKE PROPERTIES and any ADDITIONAL SERVICE AREAS as authorized under Section 9.4.4 below.

Section 1.92. "WATER SYSTEM" shall mean all buildings, basins, machinery, mains, conduits, pipes, pipelines, trunk lines, service lines, wells, tanks, filtration systems, chlorination and treatment systems, tanks, impoundments and other water supply and storage facilities, shops, pumping stations, fixtures, engines, boilers, pumps, meters and other equipment, together with all appurtenant facilities and properties, including all property, real, personal or mixed, used or useful in connection with providing water supply service within the BLUE MOUNTAIN LAKE PROPERTIES, and any ADDITIONAL SERVICE AREAS as authorized under Section 9.4.4 below, to be acquired and constructed pursuant to plans and specifications approved by the DECLARANT; Provided however, that such term shall not include service lines or other facilities required to be provided by any OWNER in regard to connecting any HOME or LOT to the WATER SYSTEM.

ARTICLE II
ANNEXATION

Section 2.1. ANNEXATION of ADDITIONAL PROPERTY.

2.1.1 Reservation of Right to Expand. DECLARANT reserves the right, but shall not be obligated, to expand the effect of THIS DECLARATION to include all or part of the ADDITIONAL PROPERTY as provided for by this ARTICLE II. DECLARANT shall have the unilateral right to transfer this right to expand to one or more SUCCESSOR DECLARANTS. Any such transfer of this right shall be by a RECORDED DOCUMENT, and may be made applicable to all of the ADDITIONAL PROPERTY or to any specified portion or portions of the ADDITIONAL PROPERTY.

2.1.2 All or any portion of the ADDITIONAL PROPERTY may, from time to time during the ANNEXATION PERIOD, be annexed to the scheme of THIS DECLARATION by DECLARANT or a SUCCESSOR DECLARANT without the consent of the ASSOCIATION or its members or of any mortgagees or other lien holders (other than those holding mortgages or liens on the real property being annexed) by the recordation of a SUPPLEMENTARY DECLARATION as provided for by Sections 2.2 and 2.3 below.

2.1.3 No provision of THIS DECLARATION shall be construed to require the DECLARANT or any other person or entity to subject any real property to the scheme of THIS DECLARATION nor shall any provision of THIS DECLARATION or any other document prohibit any real property (other than the INITIAL PROPERTY) which has not been annexed whether or not included within the ADDITIONAL PROPERTY owned by DECLARANT or any other person from being subjected to another declaration or scheme of development or disposed of free of the provisions of THIS DECLARATION. Except as may be specifically provided to the contrary by a CLUSTER DECLARATION or SUPPLEMENTARY DECLARATION with respect to a particular CLUSTER, the community contemplated by THIS DECLARATION including parcels of ground subjected to THIS DECLARATION may include a diversity of housing types and styles without limitation.

2.1.4 Any real property which is not part of the ADDITIONAL PROPERTY may be annexed to the scheme of THIS DECLARATION by the recordation of a SUPPLEMENTARY DECLARATION as provided for by Sections 2.2 and 2.3 below, provided such ANNEXATION is approved in writing by all of the following:

(a) ACTIVE MEMBERS of the ASSOCIATION entitled to cast at least two-thirds (2/3) of the votes allocated to all ACTIVE MEMBERS entitled to vote.

(b) FOUNDING MEMBERS of the ASSOCIATION, if any, entitled to cast at least two-thirds (2/3) of the votes allocated to all FOUNDING MEMBERS.

(c) NOTICED MORTGAGEES holding first mortgage liens on LOTS representing not less than sixty percent (60%) of the total ASSOCIATION voting power of the ACTIVE MEMBERS whose LOTS are subject to first mortgages, in respect to which first mortgages the BOARD received notice in accordance with the provisions of Section 8.12 below.

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Section 2.2. Method of ANNEXATION. The ANNEXATIONS authorized by Section 2.1 shall be effectuated by the recordation of a SUPPLEMENTARY DECLARATION. Such SUPPLEMENTARY DECLARATION shall be executed by the DECLARANT, if the DECLARANT shall then own any LOTS or portions of the ADDITIONAL PROPERTY, and by the owners of the real property being annexed to the scheme of THIS DECLARATION. If and only if ANNEXATION is accomplished pursuant to Section 2.1.4, the SUPPLEMENTARY DECLARATION shall have attached thereto the written consents of the members of the ASSOCIATION and the NOTICED MORTGAGEES as required by said Section 2.1.4.

Section 2.3. Contents of SUPPLEMENTARY DECLARATION.

2.3.1 The SUPPLEMENTARY DECLARATION referred to in Section 2.2 above shall describe the real property to be annexed to the scheme of THIS DECLARATION and shall state that such SUPPLEMENTARY DECLARATION is being made pursuant to the terms of THIS DECLARATION for the purpose of making the property described in the SUPPLEMENTARY DECLARATION subject to the scheme of THIS DECLARATION and of extending the jurisdiction of the ASSOCIATION to cover the real estate so described in such SUPPLEMENTARY DECLARATION. The character of the real property being annexed and the various housing or community style characteristics and development approaches to which the ANNEXED LAND or parts thereof may be subjected by the SUPPLEMENTARY DECLARATION may not be significantly at variance with that of the BLUE MOUNTAIN LAKE PROPERTIES prior to such ANNEXATION. The SUPPLEMENTARY DECLARATION may contain such complementary additions and modifications to THIS DECLARATION as the DECLARANT in its sole discretion deems appropriate. Such additions may, for instance, reflect the different character, if any, of the real property being annexed or the various housing or community style characteristics and development approaches to which the ANNEXED LAND or parts thereof may be subjected, all of which may be significantly at variance with that of the BLUE MOUNTAIN LAKE PROPERTIES or any part thereof.

2.3.2 Except as may otherwise be provided in any such SUPPLEMENTARY DECLARATION and subject to the provisions of the deed conveying any such PRD COMMON AREA to the ASSOCIATION, upon recordation of any SUPPLEMENTARY DECLARATION, OWNERS shall have a right and non-exclusive easement of enjoyment in and to the PRD COMMON AREA within the real property so annexed in accordance with the provisions of THIS DECLARATION and such SUPPLEMENTARY DECLARATION and an obligation to contribute to the cost of improvement, operation and maintenance of such PRD COMMON AREA within the annexed real property in like manner as if such PRD COMMON AREA had been originally located within the INITIAL PROPERTY.

2.3.3 Any SUPPLEMENTARY DECLARATION recorded in accordance with the terms of THIS DECLARATION shall be conclusive in favor of all persons who rely thereon in good faith. From and after recordation of any SUPPLEMENTARY DECLARATION in accordance with the provisions of THIS DECLARATION and subject to the provisions of such SUPPLEMENTARY DECLARATION, the real property annexed by such SUPPLEMENTARY DECLARATION shall be subject to the provisions of THIS DECLARATION and all other applicable BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS, and to the jurisdiction of the ASSOCIATION pursuant to the terms of THIS DECLARATION, the BY-LAWS, and the ARTICLES.

Section 2.4. General Plan of Development.

2.4.1 Purpose. The General Plan of Development for BLUE MOUNTAIN LAKE PROPERTIES as a Planned Residential Development may be regularly modified and amended during the time the community is being developed. The General Plan of Development shall not bind the DECLARANT to make any additions to the BLUE MOUNTAIN LAKE PROPERTIES or to improve any portion of such real estate. DECLARANT reserves the right to change the General Plan of Development in response to changes in technological, economic, environmental, market or social conditions or as it otherwise in its sole discretion deems appropriate in the development or marketing of the BLUE MOUNTAIN LAKE PROPERTIES or in response to changes in requirements of government agencies or financial institutions. Any such changes shall be subject to securing approval of agencies having jurisdiction in the matter to the extent such approval is otherwise required by applicable statutes or ordinances. The ASSOCIATION may not, if opposed by any member of the ASSOCIATION, use its resources nor take a public position in opposition to any such changes. The provisions of this Section 2.4.1 shall not be construed to limit the rights of a member of the ASSOCIATION to act as an individual or in affiliation with other members of the ASSOCIATION or groups with respect to the proposed changes.

ARTICLE III
THE ASSOCIATION

Section 3.1. Organization.

3.1.1 The ASSOCIATION is a nonprofit Pennsylvania corporation charged with the duties and vested with the powers prescribed by law and set forth in the ARTICLES, the BY-LAWS, and THIS DECLARATION. Neither the ARTICLES nor the BY-LAWS shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with THIS DECLARATION. In the event of any such inconsistency, the provisions of THIS DECLARATION shall prevail.

3.1.2 The officers and the members of the BOARD of the ASSOCIATION shall be required to be either (i) members of the ASSOCIATION, or (ii) officers, directors, agents, representatives or employees of DECLARANT or of a SUCCESSOR DECLARANT.

3.1.3 The BOARD and such officers as the BOARD may elect or appoint, shall conduct the affairs of the ASSOCIATION in accordance with the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS. The BOARD shall, subject to any approval by the members of the ASSOCIATION as required by the BY-LAWS or by any agreement executed pursuant to Subsection 3.5.5 below, act on behalf of the ASSOCIATION in the implementation of Sections 3.4 and 3.5 of THIS DECLARATION.

Section 3.2. Membership.

3.2.1 Qualifications. Each OWNER (including DECLARANT) shall be a member of the ASSOCIATION and shall be entitled to one membership for each LOT owned by such person or with respect to which such person owns a life estate or term of years initially in excess of twenty (20) years.

3.2.2 Member's Rights and Duties. Each member shall have the rights, duties and obligations

set forth in the applicable BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

3.2.3 Transfer of Membership. The ASSOCIATION membership of each OWNER (including DECLARANT) shall be appurtenant to the LOT giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said LOT or transfer or termination of the life estate or term of years giving rise to status as OWNER, and then only to the transferee of title to such LOT, to the holder of the remainder interest, or to the transferee of the life estate or term of years. Any attempt to make a prohibited transfer shall be void. Any transfer of title or other interest as contemplated by this Section 3.2.3 shall operate automatically to transfer the membership in the ASSOCIATION appurtenant thereto to the new OWNER. The commencement of a life estate or term of years in excess of twenty (20) years shall not be a prohibited transfer and the successor in interest upon becoming the OWNER with respect to the subject LOT shall thereupon become a member of the ASSOCIATION.

Section 3.3 Voting Rights of Members - Class of Members.

3.3.1 Classes of Voting Members. The ASSOCIATION shall have the following two (2) classes of voting membership:

(a) **ACTIVE MEMBERS.** The OWNER of each LOT who is not then a FOUNDING MEMBER shall be an ACTIVE MEMBER of the ASSOCIATION and as such shall, except as may otherwise be provided for by rules approved by the BOARD pursuant to Section 4.7.7 below, be entitled to one (1) vote for each LOT owned.

(b) **FOUNDING MEMBERS.**

(i) The DECLARANT shall be deemed a FOUNDING MEMBER until such time as the DECLARANT shall own no LOTS or such membership has been converted to that of an ACTIVE MEMBER. Any SUCCESSOR DECLARANT, if designated as such by the DECLARANT, shall be a FOUNDING MEMBER until such time as such SUCCESSOR DECLARANT owns no LOTS or the membership of such SUCCESSOR DECLARANT has been converted to that of an ACTIVE MEMBERSHIP.

(ii) A FOUNDING MEMBER may at any time convert such membership to that of an ACTIVE MEMBER by a RECORDED DOCUMENT.

(iii) The FOUNDING MEMBERS shall at any point in time as a group be entitled to the aggregate number of votes equal to 1200 votes less a number of votes equal to the total number of votes to which ACTIVE MEMBERS are then entitled pursuant to Section 3.3.1 (a) above. If at any time there shall be more than 697 APPROVED HOMES the FOUNDING MEMBERS shall be entitled to a number of votes computed by multiplying the number of APPROVED HOMES by 1.6 (one and six-tenths) and subtracting from the product the number of votes equal to the total number of votes to which all ACTIVE MEMBERS are then entitled pursuant to Section 3.3.1 (a) above.

(iv) In the event there shall be more than one FOUNDING MEMBER, the votes attributable to the FOUNDING MEMBERS as a group shall be divided among the FOUNDING MEMBERS as they shall by written instrument reasonably agree among themselves or as may be provided for by the

document designating a SUCCESSOR DECLARANT and granting such SUCCESSOR DECLARANT the right to be a FOUNDING MEMBER.

(v) A FOUNDING MEMBER may, by one or more acknowledged supplements to THIS DECLARATION recorded with the Recorder of Deeds of Monroe County, limit its privileges and prerogatives as a FOUNDING MEMBER or provide that all or specific privileges or prerogatives it enjoys as FOUNDING MEMBER shall terminate or be limited in a specific manner upon the happening of a specified event, upon a period of time elapsing after the happening of a specified event or as of a specified date. A FOUNDING MEMBER may reserve the right to amend any such supplement in a specified manner; otherwise such supplement shall be irrevocable and not be subject to further amendment.

3.3.2 Conversion of FOUNDING MEMBERSHIPS.

(a) If, on the first day of the fourth month after the first date on which a total of 600 LOTS have been conveyed to persons other than DECLARANT or SUCCESSOR DECLARANTS, neither DECLARANT nor any SUCCESSOR DECLARANTS owns any lands located within the ADDITIONAL PROPERTY, all FOUNDING MEMBERSHIPS shall cease and be converted to ACTIVE MEMBERSHIPS.

(b) If on the first date that a total of 600 LOTS have been conveyed to persons other than DECLARANT or SUCCESSOR DECLARANTS, DECLARANT or any SUCCESSOR DECLARANT own any lands located within the ADDITIONAL PROPERTIES then, in such event, all FOUNDING MEMBERSHIPS shall cease and be converted to ACTIVE MEMBERSHIPS four (4) months after the first date thereafter on which neither DECLARANT nor any SUCCESSOR DECLARANT owns any lands within the ADDITIONAL PROPERTY.

(c) Notwithstanding the foregoing provisions of this Section 3.3.2, FOUNDING MEMBERSHIPS may be converted to ACTIVE MEMBERSHIPS at any time when, in their sole discretion, FOUNDING MEMBERS holding eighty percent (80%) of all votes held by the FOUNDING MEMBERS so determine by a RECORDED DOCUMENT.

3.3.3 Votes of Joint and Multiple OWNERS. The vote or votes for each LOT must be cast as a single vote. Fractional votes shall not be allowed. In the event that more than one person shall at any time be the OWNER of any LOT, all such persons shall constitute a single member and the vote for such LOT shall be exercised as such persons among themselves shall determine. In no event shall more than one ACTIVE MEMBER vote be cast with respect to any LOT. In the event that joint or multiple OWNERS are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any OWNER or OWNERS cast a vote representing a certain LOT without objection then made by any OWNER of the same LOT, it will thereafter be conclusively presumed for all purposes that the OWNER or OWNERS so casting such vote were acting with the authority and consent of all other OWNERS of the same LOT. In the event more than one vote is cast for a particular LOT, none of said votes shall be counted and said votes shall be deemed void.

3.3.4 NEIGHBOR MEMBERS.

(a) The DECLARANT or any SUCCESSOR DECLARANT shall have the right to

designate, on an annual basis and subject to the limitations hereinafter set forth, persons who own homes which are located on land which is contiguous with the BLUE MOUNTAIN LAKE PROPERTIES as NEIGHBOR MEMBERS of the ASSOCIATION.

(b) At no time may there be more than ten (10) NEIGHBOR MEMBERS. The DECLARANT or SUCCESSOR DECLARANT shall certify to the BOARD the names, mailing addresses and location of qualifying contiguous land of its designated NEIGHBOR MEMBERS for each calendar year not later than January 1 of each year.

(c) The NEIGHBOR MEMBERS shall have no voting rights. In all other respects, however, the NEIGHBOR MEMBERS shall have the same rights, obligations and liabilities as the OWNER of an UNDEVELOPED LOT to the use of the BLUE MOUNTAIN LAKE PROPERTIES and shall pay the GENERAL ASSESSMENT and SPECIAL ASSESSMENT then applicable to an UNDEVELOPED LOT during the first year after the INITIAL CONVEYANCE of such LOT.

Section 3.4. Duties of the ASSOCIATION. Except as may be otherwise provided by the SUPPLEMENTARY DECLARATION with respect to LOTS being annexed thereunder, the ASSOCIATION shall, in addition to such obligations, duties and functions as are assigned to it by other provisions of THIS DECLARATION, have the following obligations, duties and functions (subject to the provisions of THIS DECLARATION), for the benefit of the OWNERS and for the maintenance, administration and improvement of the BLUE MOUNTAIN LAKE PROPERTIES:

3.4.1 ANNEXED LANDS. The Association shall accept as part of the BLUE MOUNTAIN LAKE PROPERTIES all real estate annexed pursuant to Article II of THIS DECLARATION and accept all OWNERS thereof as members of the ASSOCIATION, subject to the membership requirements set forth in THIS DECLARATION and in the BY-LAWS.

3.4.2 Operation and Maintenance of PRD COMMON AREA.

(a) The ASSOCIATION shall at all times operate, maintain, preserve and otherwise manage or provide for the operation, maintenance, preservation and management of the PRD COMMON AREA.

(b) Except to the extent a SUPPLEMENTARY DECLARATION or a CLUSTER DECLARATION limits the ASSOCIATION's obligation to operate, maintain or otherwise manage one or more specified LIMITED COMMON AREAS or any IMPROVEMENTS to or on any one or more LIMITED COMMON AREAS the ASSOCIATION shall at all times operate, maintain, preserve and otherwise manage or provide for the operation, maintenance, preservation and management of any and all LIMITED COMMON AREAS.

(c) The ASSOCIATION shall keep in good order, condition and repair all IMPROVEMENTS of whatever kind and for whatever purpose from time to time located on the PRD COMMON AREA and also those on any LIMITED COMMON AREAS which the ASSOCIATION is obligated to operate, maintain or otherwise manage;

(d) Following the conversion of all FOUNDING MEMBERSHIPS to ACTIVE MEMBERSHIPS

and until the expiration of the ANNEXATION PERIOD the ASSOCIATION shall operate, maintain and manage the PRD COMMON AREA and those portions of the LIMITED COMMON AREAS which the ASSOCIATION is obligated to operate, maintain and manage in a manner at least comparable to the manner in which such PRD COMMON AREA and LIMITED COMMON AREAS were operated, maintained and managed at the time of the conversion of all FOUNDING MEMBERSHIPS to ACTIVE MEMBERSHIPS.

3.4.3 Water and Other Utilities. The ASSOCIATION shall acquire, provide and pay for water, sewer, garbage disposal, electrical, telephone and gas and other utility services for the PRD COMMON AREA and for any LIMITED COMMON AREAS which the ASSOCIATION is obligated to maintain.

3.4.4 Taxes and Assessments. The ASSOCIATION shall pay all real and personal property taxes and assessments (if any) separately levied upon or assessed against the ASSOCIATION or any property owned by the ASSOCIATION. Such taxes and assessments may be contested or compromised by the ASSOCIATION; provided, however, that such taxes and assessments shall be paid or a bond insuring the payment shall be posted prior to the sale or other disposition of any real estate of the ASSOCIATION to satisfy the payment of such taxes and assessments. Inasmuch as the interest of each OWNER to use and enjoy the PRD COMMON AREA and any LIMITED COMMON AREAS appurtenant to such OWNER's LOT is an interest in real property appurtenant to each LOT, the value of each such LOT includes the value of the rights appurtenant to such LOT to use and enjoy the PRD COMMON AREAS as any LIMITED COMMON AREAS. The value of the interest of each OWNER in such PRD COMMON AREA (and of certain OWNERS in LIMITED COMMON AREAS) shall be included in the assessment for each such LOT and not in the assessment of such PRD COMMON AREA and any LIMITED COMMON AREAS.

3.4.5 Dedication For Public Use. Upon being so directed by DECLARANT or an authorized SUCCESSOR DECLARANT, from time to time during the ANNEXATION PERIOD the ASSOCIATION shall promptly dedicate such streets, roads and drives and such water, sewer or other utility lines or facilities and the portions so specified of the PRD COMMON AREA, LIMITED COMMON AREAS and any CLUSTER COMMON AREAS for such easements as may be specified by DECLARANT or such SUCCESSOR DECLARANT to such municipalities, utility companies, political subdivisions, public authorities or similar agencies or bodies as may be designated by DECLARANT or such SUCCESSOR DECLARANT.

3.4.6 Insurance. The ASSOCIATION shall obtain and maintain insurance as provided for by either the BY-LAWS, any CLUSTER DECLARATION or the Mortgagee Protective Agreement referred to in Sections 3.4.8 and 3.5.5 of THIS DECLARATION.

3.4.7 Rule Making. The ASSOCIATION shall make, establish, promulgate, amend and repeal the ASSOCIATION RULES as provided for by Section 3.6 of THIS DECLARATION.

3.4.8 Execution of Mortgagee Protective Agreement. Upon being directed to do so by DECLARANT or SUCCESSOR DECLARANT during the DECLARANT CONTROL PERIOD and subject to limitations contained in any CLUSTER DECLARATION insofar as any such action shall relate to real estate subject to such CLUSTER DECLARATION, the ASSOCIATION shall execute and cause to be recorded from time to time written agreements in favor of holders or insurers of mortgages secured upon portions of the BLUE MOUNTAIN LAKE PROPERTIES conditioning specified actions of the ASSOCIATION upon specified mortgagee approval, permitting such mortgagees or insurers to take certain actions upon the failure of the ASSOCIATION to take specified action, or conforming the BLUE MOUNTAIN LAKE

PROPERTY DOCUMENTS to the requirements of such mortgagees or insurers, provided that any such agreements do not contravene the requirements of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS or any applicable law.

3.4.9 Availability of Documents. The ASSOCIATION shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to OWNERS, lenders, and holders, insurers and guarantors of a first mortgage on any LOT current copies of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS, and the books, records and financial statements of the ASSOCIATION.

3.4.10 Payment For Use Of Amenities. The General Plan of Development for BLUE MOUNTAIN LAKE PROPERTIES contemplates there being constructed by Developer on the ADDITIONAL PROPERTY amenities which may include lake front facilities, play areas, pools, trails, tennis courts, a clubhouse and associated parking areas. The foregoing is not intended to constitute an undertaking by DECLARANT to construct any particular amenities. After completion of all or portions of such amenities the DECLARANT may permit members of the ASSOCIATION and other occupants of LOTS on a non-exclusive basis to use such amenities pending the same being ultimately conveyed to the ASSOCIATION to become part of the ACTIVE RECREATION AREA. In consideration for any such rights of use that may be so granted to members of the ASSOCIATION and occupants of LOTS the ASSOCIATION shall from time to time reimburse the owner of the lands on which such amenities are located a reasonable share of the cost of operation and maintenance of such amenities. Such reasonable share shall be established from time to time by DECLARANT and may approximately equal a fractional share of the actual cost of operation and maintenance of such amenities, including a reasonable sum for management and overhead, the numerator of such fraction being the total number of CONVEYED LOTS at such time and the denominator of such fraction being Two Hundred (200). If there are more than two hundred (200) CONVEYED LOTS the DECLARANT may require the ASSOCIATION to be responsible for or reimburse all of such costs as established from time to time by DECLARANT and which may include a reasonable sum for management and overhead.

3.4.11 Payment For Use Of Sewage Disposal Facilities. In the event that and so long as the DECLARANT shall provide treatment facilities for sewage originating from LOTS, the ASSOCIATION shall pay to DECLARANT a sum as shall be established by DECLARANT to reimburse DECLARANT for the cost of maintenance and operation of such facilities, amortize the cost of such facilities on such basis as the DECLARANT shall establish and provide a reasonable return on the cost of such facilities. The foregoing shall not be construed to preclude the UTILITIES ASSOCIATION or any affiliate of DECLARANT that may provide any such services from charging such amounts for such services as it shall be entitled to charge under THIS DECLARATION, applicable law or under any applicable tariffs.

3.4.12 Maintenance of Stormwater Ponds. The ASSOCIATION shall maintain the Stormwater Ponds located within the PRD COMMON AREA and the associated filtration systems so that the same will properly perform the functions for which they were designed.

3.4.13 Collection of Operating Reserve Contribution. Upon the INITIAL CONVEYANCE of each LOT the ASSOCIATION shall collect as a contribution to the Operating Reserve of the Association a sum equal to twice the then current monthly installment of GENERAL ASSESSMENT applicable to such LOT.

Section 3.5. Powers and Authority of the ASSOCIATION. The ASSOCIATION shall have all of the powers of a nonprofit corporation organized under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, subject only to such limitations upon the exercise of such powers as are expressly set forth in the ARTICLES, the BY-LAWS, THIS DECLARATION or with respect to such LOTS by any SUPPLEMENTARY DECLARATION annexing such LOTS. The ASSOCIATION shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the ASSOCIATION under THIS DECLARATION, the ARTICLES and the BY-LAWS, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the ASSOCIATION including the following which are listed without intent to limit the foregoing articulation:

3.5.1 ASSESSMENTS. To levy ASSESSMENTS on the OWNERS of LOTS and to enforce payment of such ASSESSMENTS, all in accordance with the provisions of THIS DECLARATION.

3.5.2 Right of Enforcement. To take such action, whether or not expressly authorized in THIS DECLARATION or in any other BLUE MOUNTAIN PROPERTY DOCUMENTS, as the BOARD may reasonably determine appropriate, to enforce or effectuate any of the restrictions, limitations, covenants, affirmative obligations, conditions and other provisions of THIS DECLARATION and of any of the other BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS. The ASSOCIATION may, in its own name, on its own behalf or on behalf of any OWNER or OWNERS who consent thereto, commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of any BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS and enforce, by mandatory injunction or otherwise, all of the provisions thereof.

3.5.3 Easements and Rights-of-Way. To grant and convey to any third party permits, licenses and easements and rights-of-way in, on, over or under the PRD COMMON AREA and any LIMITED COMMON AREAS for the purposes of constructing, erecting, operating or maintaining thereon, therein or thereunder (1) overhead or underground lines, cables, wires, conduits, or other devices and facilities for the transmission of electricity and for lighting, heating, power, telephone, television and other communication equipment and facilities (cable or otherwise), radio and audio antenna facilities and for other appropriate purposes; (2) public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; (3) roads; and (4) any similar public or quasi-public improvements or facilities.

3.5.4 Employment of MANAGER. To employ the services of any person or entity as MANAGER to manage, conduct and perform the business, obligations and duties of the ASSOCIATION as may be directed by the BOARD. The ASSOCIATION shall have the right to enter into contracts for such purpose. Any agreement for professional management of the BLUE MOUNTAIN LAKE PROPERTIES may not exceed three (3) years and any such agreement must provide for termination by either party, without cause, and without payment of any termination fee or other penalty, upon not more than ninety (90) days' advance written notice.

3.5.5 Mortgagee Protective Agreements. Subject to such limitations, if any, as shall be contained in individual CLUSTER DECLARATIONS insofar as applicable to the real estate subject to such CLUSTER DECLARATIONS, to execute and cause to be recorded from time to time agreements in favor of holders or insurers of mortgages secured upon portions of the BLUE MOUNTAIN LAKE PROPERTIES. Such agreements may condition specified action relevant to THIS DECLARATION or the activities of the ASSOCIATION upon approval by a specified group or number of such mortgage holders or insurers. In

addition to the foregoing, the BOARD may from time to time enter into such contracts or agreements on behalf of the ASSOCIATION as are required in order to satisfy the guidelines or other requirements or standards of the Veterans Administration, the Federal Housing Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or any similar entity as such requirements may change from time to time, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first mortgages encumbering LOTS. Each OWNER hereby agrees that it will benefit the ASSOCIATION and the membership of the ASSOCIATION, as a class of potential mortgage borrowers and potential sellers of their LOTS, if such agencies approve the BLUE MOUNTAIN LAKE PROPERTIES or portions thereof as a qualifying subdivision under their respective policies, rules and regulations, as amended from time to time.

(f) The actions and activities which may be conditioned upon approval by a specified group or number of mortgage holders or insurers by agreements executed by the BOARD on behalf of the ASSOCIATION may include, but shall not be limited to, the following:

(A) Termination of the ASSOCIATION for reasons other than substantial destruction of the IMPROVEMENTS on the BLUE MOUNTAIN LAKE PROPERTIES or substantial condemnation of the BLUE MOUNTAIN LAKE PROPERTIES.

(B) An amendment of a material nature to THIS DECLARATION, the ARTICLES or any CLUSTER DECLARATION. A change of the provisions of any such document directly relating to any of the following may for this purpose be considered material: (1) voting rights; (2) ASSESSMENTS, assessment liens or subordination of assessment liens; (3) reserves for maintenance, repair and replacement of the PRD COMMON AREA or any LIMITED COMMON AREA; (4) responsibility for maintenance and repairs; (5) reallocation of interests in the PRD COMMON AREA or any LIMITED COMMON AREA, or rights to their use; (6) boundaries of any LOT; (7) convertibility of LOTS into PRD COMMON AREA or LIMITED COMMON AREAS or of PRD COMMON AREA or LIMITED COMMON AREAS into LOTS; (8) expansion or contraction of the BLUE MOUNTAIN LAKE PROPERTIES or the addition, ANNEXATION or withdrawal of real estate to or from BLUE MOUNTAIN LAKE PROPERTIES; (9) Insurance or Fidelity Bonds; (10) leasing of HOMES; (11) Imposition of any restrictions on an OWNER's right to sell or transfer his or her LOT; (12) a decision by the ASSOCIATION to establish self-management when professional management had been required previously by a NOTICED MORTGAGEE; (13) restoration or repair of the BLUE MOUNTAIN LAKE PROPERTIES (after a hazard damage or partial condemnation) in a manner other than that specified in the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS; (14) actions to terminate the ASSOCIATION after substantial destruction or condemnation occurs; or (15) provisions that expressly benefit holders, insurers or guarantors of first mortgages;

(C) Any act or omission which seeks to abandon, partition, subdivide, encumber, sell, or transfer the PRD COMMON AREA, any LIMITED COMMON AREA or any other real estate or IMPROVEMENTS which the ASSOCIATION owns, directly or indirectly (the granting of easements for public utilities or for other public purposes consistent with the intended use of the BLUE MOUNTAIN LAKE PROPERTIES shall not be deemed a transfer for purposes of this clause C);

(D) Any change in the method of determining the obligations, ASSESSMENTS, dues, or other charges which may be levied against OWNERS of LOTS;

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DOCUMENT, as the ASSOCIATION shall deem to be appropriate for the protection or benefit of the ASSOCIATION, the members of the BOARD, the members of the DESIGN REVIEW COMMITTEE and other ASSOCIATION COMMITTEES, OWNERS, their tenants or guests, or any of them. Such coverage shall include (without limiting the generality of the foregoing) fire and extended coverage insurance covering the PRD COMMON AREA and any LIMITED COMMON AREA, liability insurance, war risk insurance, boiler insurance, workmen's compensation insurance, malicious mischief insurance, automobile non-ownership insurance, and performance and fidelity bonds.

3.5.9 Utility and Other Services.

(i) To contract and pay for, or otherwise provide for, utility services, including, but without limitation, water, sewer, trash, garbage, electrical, telephone and gas services with respect to any PRD COMMON AREA or any LIMITED COMMON AREA; and

(ii) To contract and pay for, or otherwise provide for sewer, trash and garbage services with respect to any portion of the BLUE MOUNTAIN LAKE PROPERTIES;

provided that the ASSOCIATION shall not take any action, or provide any services which may compete with, or interfere with any UTILITY SERVICE provided by the UTILITIES ASSOCIATION in accordance with the provisions of THIS DECLARATION

3.5.10 Professional Services. To contract and pay for, or otherwise provide for, the services of architects, engineers, attorneys and certified public accountants and such other professional and non-professional services as the ASSOCIATION deems necessary.

3.5.11 Road Maintenance. To contract and pay for, or otherwise provide for, the construction, reconstruction, repair, replacement or refinishing of any roads, drives or other paved areas upon any portion of the BLUE MOUNTAIN LAKE PROPERTIES not dedicated to any governmental unit, provided that such payment or provision shall be used exclusively to promote the recreation, health, safety and welfare of the residents and users of the BLUE MOUNTAIN LAKE PROPERTIES.

3.5.12 Protective Services. To contract and pay for, or otherwise provide for, fire prevention, and such other protective services as the ASSOCIATION shall from time to time deem appropriate for the benefit of the BLUE MOUNTAIN LAKE PROPERTIES, and its residents and users.

3.5.13 General Contracts. To contract and pay for, or otherwise provide for, such materials, supplies, furniture, equipment and labor as and to the extent the ASSOCIATION deems necessary.

3.5.14 Liens. To pay and to discharge any and all liens from time to time placed or imposed upon any PRD COMMON AREA or LIMITED COMMON AREA on account of any work done or performed by the ASSOCIATION or on or in its behalf in the fulfillment of any of its obligations and duties of maintenance, repair, operation or administration.

3.5.15 Use of PRD COMMON AREAS. To exercise the rights granted to the ASSOCIATION by Section 6.1 below.

3.5.16 Employees. To employ, contract and pay for the services of any persons or entities as employees, agents or independent contractors to manage, conduct and perform the business, obligations and duties of the ASSOCIATION as may be directed by the BOARD.

3.5.17 Borrowings. To borrow funds for the purposes of the ASSOCIATION and for exercising its powers and carrying out its duties under THIS DECLARATION. Principal and interest on any obligations for borrowings shall be paid by the ASSOCIATION out of GENERAL ASSESSMENTS to the extent such funds borrowed are used for the benefit of all OWNERS. If the borrowed funds are used for the limited benefit of some OWNERS, the repayment of such funds shall be out of ASSESSMENTS imposed pursuant to Section 4.5.4 of THIS DECLARATION against the LOTS so benefited. The ASSOCIATION may assign its right to future income, including the right to receive ASSESSMENTS as security for any such borrowings.

3.5.18 UNDEVELOPED LOT Maintenance. To maintain some or all of the CONVEYED LOTS upon which HOMES have not been constructed and make an assessment of a LOT MAINTENANCE CHARGE against each such LOT for the reasonable cost of any such maintenance plus a reasonable administrative charge for the providing of such service.

3.5.19 Late Charges, Fines and DEFAULT ASSESSMENTS. Impose charges for late payment of ASSESSMENTS and, after notice and opportunity to be heard, impose reasonable fines and DEFAULT ASSESSMENTS for violation of the DECLARATION, any CLUSTER DECLARATION, the BY-LAWS, the ASSOCIATION RULES, and any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT.

3.5.20 Litigation and Other Proceedings. Institute, defend, or intervene in litigation, or administrative proceedings in its own name on behalf of itself or two (2) or more UNIT OWNERS on matters affecting any portion of the BLUE MOUNTAIN LAKE PROPERTIES or the ASSOCIATION provided that it may do so during the DECLARANT CONTROL PERIOD only with the specific approval of the DECLARANT.

3.5.21 Indemnification. Provide for indemnification of its officers and members of the BOARD and maintain directors' and officers' liability insurance.

3.5.22 Other Powers. To exercise any other power which exclusively promotes (i) the recreation, health, safety and welfare of the residents and users of the BLUE MOUNTAIN LAKE PROPERTIES, or (ii) the improvement, operation and maintenance of the PRD COMMON AREA and LIMITED COMMON AREAS.

Section 3.6. The ASSOCIATION RULES.

3.6.1 From time to time the ASSOCIATION may, by a majority vote of the BOARD, adopt, amend and repeal such rules and regulations as it deems reasonable. These rules and regulations may include administrative and policy resolutions. The ASSOCIATION RULES may also be adopted, amended or repealed by written agreement of members entitled to cast at least fifty percent (50%) of the votes allocated to all members of the ASSOCIATION. Any member may revoke his written agreement to any such action prior to the requisite number of members having so agreed, and any such written agreement by a member shall be effective only if the requisite number of members shall have so agreed to specific

action within a one year period. Once the members have so agreed, such action may not be modified by the BOARD for a period of at least one (1) year, although the same may at any time be further adopted, amended or repealed by action of the members as heretofore provided. Until the expiration of the ANNEXATION PERIOD, any action of the BOARD or members pursuant to this Section 3.6.1 shall be effective only upon being approved in writing by DECLARANT.

3.6.2 The ASSOCIATION RULES may govern the use of any PRD COMMON AREA and any LIMITED COMMON AREAS, by the OWNERS, by the families of the OWNERS, or by any invitee, licensee, lessee, or contract purchaser of an OWNER. Except as otherwise limited by the BY-LAWS, the ASSOCIATION RULES may relate to maintenance of IMPROVEMENTS erected upon the BLUE MOUNTAIN LAKE PROPERTIES.

3.6.3 The ASSOCIATION RULES may not unreasonably discriminate among OWNERS and shall not be inconsistent with THIS DECLARATION, the ARTICLES or the BY-LAWS.

3.6.4 The ASSOCIATION RULES may provide for a reasonable method for dealing with any condemnation affecting the PRD COMMON AREA or any LIMITED COMMON AREA subject to the applicable provisions, if any, of any applicable CLUSTER DECLARATION.

3.6.5 The ASSOCIATION RULES may govern the use of roads, drives, paths and PARKING AREAS including, without limitation: (1) parking restrictions and limitations, including establishing limits upon, prohibiting, restricting to particular areas or establishing special charges for overnight parking of boats and vehicles such as trucks, trailers, campers and recreational vehicles; (2) maximum speeds for vehicular travel; (3) the time or times when commercial vehicles may be permitted to use the roads and PARKING AREAS; and (4) the type or types of vehicles other than conventionally equipped passenger automobiles which may be permitted to use the roads.

3.6.6 The ASSOCIATION RULES may restrict the overnight storage or parking upon the open area of LOTS of boats and vehicles and the construction upon LOTS of sheds and other out buildings.

3.6.7 Except to the extent, if any, otherwise restricted by any applicable CLUSTER DECLARATION, the ASSOCIATION RULES may also provide for reasonable standardized forms for leases of HOMES.

3.6.8 The ASSOCIATION RULES may provide for one or more classes of non-voting members of the ASSOCIATION to consist of persons who, although not voting members, are otherwise entitled to use specified facilities of the ASSOCIATION.

3.6.9 The ASSOCIATION RULES may also relate to other matters of general concern to OWNERS and occupants of HOMES including (without limiting the generality of the foregoing) matters for which any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT provides that the BOARD may adopt rules or regulations or both.

3.6.10 A copy of the ASSOCIATION RULES as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each OWNER.

3.8.11 In the event of any conflict between any such ASSOCIATION RULES and any of the other provisions of THIS DECLARATION, or the ARTICLES or BY-LAWS, the provisions of such ASSOCIATION RULES shall be deemed to be superseded by the provisions of THIS DECLARATION, the ARTICLES or the BY-LAWS to the extent of such inconsistency.

Section 3.7. No Personal Liability. No member of the BOARD or of any committee of the ASSOCIATION, or any officer of the ASSOCIATION, or the DECLARANT, or any SUCCESSOR DECLARANT, or the MANAGER, if any, or any other representative or employee of any of the foregoing shall be personally liable to any OWNER, or to any other party, including the ASSOCIATION, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence (including gross negligence) of such person, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, without willful or intentional misconduct.

Section 3.8. Exercise of ASSOCIATION Powers by BOARD. The BOARD itself or through the ASSOCIATION's employees, officers, agents or other persons designated by the BOARD for such purpose shall exercise for and on behalf of the ASSOCIATION all powers, duties and authority vested in or delegated to the ASSOCIATION and not otherwise requiring the consent or approval of the members of the ASSOCIATION, or a portion or percentage thereof by other provisions of THIS DECLARATION, the ARTICLES or the BY-LAWS.

Section 3.9. Limitations of Application of Certain Action.

3.9.1 Notwithstanding anything to the contrary provided in THIS DECLARATION, neither DECLARANT nor any SUCCESSOR DECLARANT shall, until the expiration of the ANNEXATION PERIOD, be subject to, or bound by, any action, rules or regulations taken or adopted by the BOARD, the ASSOCIATION or any body of the ASSOCIATION unless and until DECLARANT (or a SUCCESSOR DECLARANT) expressly agrees, in writing, to be subject to or bound by such action, rules or regulations.

3.9.2 DECLARANT shall have the fullest latitude to develop the BLUE MOUNTAIN LAKE PROPERTIES and the ADDITIONAL PROPERTY and to sell or lease HOMES and LOTS, without reservation or restriction except as imposed by applicable zoning, subdivision and other land use laws.

3.9.3 Until DECLARANT or any SUCCESSOR DECLARANT have completed and sold or leased all of the LOTS and HOMES permitted to be constructed, sold, leased or erected by it under the then applicable zoning and subdivision laws and ordinances affecting the BLUE MOUNTAIN LAKE PROPERTIES, neither the OWNERS, the ASSOCIATION, the BOARD nor any other body of the ASSOCIATION, the OWNERS or the BOARD shall interfere with any land improvement, subdivision, construction, sale or leasing activities of DECLARANT or any SUCCESSOR DECLARANT on any portion of the BLUE MOUNTAIN LAKE PROPERTIES or on any portion of the ADDITIONAL PROPERTY. The DECLARANT and any SUCCESSOR DECLARANT may make such use of the unsold or unleased HOMES and LOTS, together with any portion or portions of the PRD COMMON AREA and LIMITED COMMON AREAS as may, in the judgment of the DECLARANT or SUCCESSOR DECLARANT, facilitate such construction, improvement, subdivision, sale and leasing, including but not limited to the use of any (or any portions of) such HOMES, LOTS, PRD COMMON AREA and LIMITED COMMON AREA for the maintenance of sales and rental offices, the showing of portions of the BLUE MOUNTAIN LAKE PROPERTIES and the display of signs, all without any charge or payment required with respect to such

use and upon the terms and conditions deemed necessary and appropriate by DECLARANT or such SUCCESSOR DECLARANT.

Section 3.10. ASSOCIATION BY-LAWS.

3.10.1 The ASSOCIATION may, by a majority vote of the BOARD, adopt such BY-LAWS as it deems reasonable. The BY-LAWS may be amended as therein provided.

3.10.2 The BY-LAWS may not discriminate among OWNERS and shall not be inconsistent with THIS DECLARATION or the ARTICLES.

3.10.3 A copy of the BY-LAWS as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each OWNER.

3.10.4 In the event of any conflict between any such BY-LAWS and any of the other provisions of THIS DECLARATION, any SUPPLEMENTARY DECLARATION or CLUSTER DECLARATION, or the ARTICLES, the provisions of the BY-LAWS shall be deemed to be superseded by the provisions of THIS DECLARATION, any SUPPLEMENTARY DECLARATION or CLUSTER DECLARATION, and the ARTICLES to the extent of such inconsistency. To the extent the BY-LAWS are not inconsistent with THIS DECLARATION, any SUPPLEMENTARY DECLARATION or CLUSTER DECLARATION, and the ARTICLES, the BY-LAWS shall govern any matter covered by such BY-LAWS, including, but not limited to, ASSESSMENTS, enforcement of collection of ASSESSMENTS, governance of the ASSOCIATION, and other rights and obligations under the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

ARTICLE IV

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 4.1. Creation of the Lien and Personal Obligation for ASSESSMENTS.

4.1.1(a) Subject to the provisions of THIS DECLARATION and with the intention of benefitting the BLUE MOUNTAIN LAKE PROPERTIES and all portions thereof, including each LOT and all real estate that may be annexed to the scheme of THIS DECLARATION, DECLARANT covenants that it and its successors and assigns, as the OWNERS of one or more LOTS, will pay to the ASSOCIATION each of the following ASSESSMENTS for each LOT owned by such OWNER, with respect to the period of such ownership: (1) GENERAL ASSESSMENTS, (2) DEFAULT ASSESSMENTS assessed pursuant to Section 4.4 below, (3) CLUSTER ASSESSMENTS, (4) LOT MAINTENANCE CHARGES, (5) TRANSFER FEES and LEASING FEES, (6) any fines, interest and penalties imposed by the ASSOCIATION pursuant to THIS DECLARATION or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT and (7) SPECIAL ASSESSMENTS.

(b) Each OWNER, upon becoming an OWNER and whether or not so expressed in any deed or other document conveying or assigning an interest in the OWNER's LOT, shall be deemed to covenant and agree to pay to the ASSOCIATION the ASSESSMENTS referred to in Section 4.1.1(a) above with respect to the period of ownership of such LOT by such OWNER.

(c) Neither DECLARANT nor any other OWNER shall be liable for the payment of any ASSESSMENT with respect to a LOT arising subsequent to the date the DECLARANT or OWNER ceases

to be the OWNER of such LOT.

(d) The ASSESSMENTS referred to in this Section 4.1.1 shall be established, made, and collected as provided for in THIS DECLARATION and, as to the subject matter of a CLUSTER DECLARATION, in any applicable CLUSTER DECLARATIONS.

4.1.2 The GENERAL ASSESSMENTS, DEFAULT ASSESSMENTS, CLUSTER ASSESSMENTS, LOT MAINTENANCE CHARGES, TRANSFER FEES and LEASING FEES, and SPECIAL ASSESSMENTS, together with interest thereon, costs of collection thereof, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the LOT against which each such ASSESSMENT is made from the date due until paid. Notwithstanding any sale or other transfer of such LOT, such lien shall (together with all proper costs, reasonable attorneys' fees and interest) continue to constitute a charge against such LOT until paid in full.

4.1.3 Each such ASSESSMENT, together with such interest, costs and reasonable attorneys' fees, shall also be the personal obligation of each person, firm or entity that is an OWNER of such LOT at the time such ASSESSMENT became due. This personal obligation for delinquent ASSESSMENTS shall not pass to an OWNER'S successors in title unless expressly assumed by such successor. No such assumption by a successor shall relieve any person from the personal liability which arose pursuant to this Subsection 4.1.3 at the time such person was an OWNER. The provisions of this Subsection 4.1.3 shall not be construed to limit the application of Subsection 4.1.2 above.

Section 4.2. GENERAL ASSESSMENTS.

4.2.1 GENERAL ASSESSMENTS levied by the ASSOCIATION shall be used exclusively to promote (a) the recreation, health, safety and welfare of the residents and users of the BLUE MOUNTAIN LAKE PROPERTIES; (b) the improvement, operation and maintenance of the PRD COMMON AREA and any LIMITED COMMON AREAS which are not CLUSTER COMMON AREAS or otherwise included in any CLUSTER; (c) the performance of the duties and exercise of the powers of the ASSOCIATION as set forth in THIS DECLARATION; (d) the payment of proper expenses of the ASSOCIATION, and (e) the establishment of reasonable reserves for the maintenance, repair and replacement of roads, paths, Stormwater Ponds, filtration systems and other IMPROVEMENTS upon the PRD COMMON AREA and LIMITED COMMON AREAS described above and also roads that have not been dedicated to Stroud Township and that are contiguous to the BLUE MOUNTAIN LAKE PROPERTIES and the cost of maintenance of which has been assumed by the ASSOCIATION pursuant to the SUPPLEMENTARY DECLARATION subjecting land contiguous to such roads to the scheme of THIS DECLARATION.

4.2.2 The total amount of the GENERAL ASSESSMENTS levied by the ASSOCIATION for each fiscal year shall for such year be adequate to finance the operations and activities of the ASSOCIATION, to provide for the permanent maintenance and preservation of the PRD COMMON AREA and any LIMITED COMMON AREAS not accepted for dedication by any municipalities, utility companies, political subdivisions, public authorities or similar agencies or bodies, which are not CLUSTER COMMON AREAS or otherwise included in any CLUSTER, and the IMPROVEMENTS upon such PRD COMMON AREA and LIMITED COMMON AREAS, and to establish and maintain adequate repair and replacement reserves.

4.2.3 Except as may be otherwise provided for in a SUPPLEMENTARY DECLARATION, the

ASSOCIATION shall establish and levy GENERAL ASSESSMENTS in such amounts as shall be determined from time to time by the BOARD in accordance with the provisions of this Section 4.2 as reflected in the budget adopted by the BOARD for each fiscal year.

Section 4.3. SPECIAL ASSESSMENTS For Capital Improvements. In addition to the GENERAL ASSESSMENTS authorized by Section 4.2 above, the BOARD may levy, during any calendar year, SPECIAL ASSESSMENTS to be paid in that year or over a period not to exceed five (5) years for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, or repair or replacement (in the event any reserves are not adequate for said purposes) of capital improvements upon the PRD COMMON AREA, including the necessary fixtures and personal property related thereto, or to make up any shortfall in the current year's budget.

Section 4.4. DEFAULT ASSESSMENTS. Each DEFAULT ASSESSMENT shall become a lien against the LOT or LOTS of the OWNER against whom such DEFAULT ASSESSMENT is assessed and may be enforced in the same manner as a GENERAL ASSESSMENT.

Section 4.5. Rate and Applicability of ASSESSMENTS.

4.5.1 Except as provided for by Sections 4.5.3 and 4.5.4 below or otherwise provided for by this DECLARATION:

4.5.1.1 GENERAL ASSESSMENTS and SPECIAL ASSESSMENTS must be fixed at a uniform rate for each CONVEYED LOT in accordance with and subject to the following criteria:

(a) The GENERAL ASSESSMENT and SPECIAL ASSESSMENT applicable to a CONVEYED LOT improved with an ATTACHED MANORHOME shall equal eighty percent (80%) of the GENERAL ASSESSMENT or SPECIAL ASSESSMENT, respectively, enforced at the same time for the same purpose and time frame applicable to a CONVEYED LOT improved with a ESTATE HOME.

(b) The GENERAL ASSESSMENT and SPECIAL ASSESSMENT applicable to a CONVEYED LOT improved with a PATIO HOME shall equal ninety percent (90%) of the GENERAL ASSESSMENT or SPECIAL ASSESSMENT, respectively, enforced at the same time for the same purpose and time frame applicable to a CONVEYED LOT improved with a ESTATE HOME.

(c) The GENERAL ASSESSMENT and SPECIAL ASSESSMENT applicable to an UNDEVELOPED LOT shall for the first year after INITIAL CONVEYANCE of such LOT be fifty percent (50%) of the GENERAL ASSESSMENT or SPECIAL ASSESSMENT, respectively, enforced at the same time for the same purpose and time frame applicable to each CONVEYED LOT improved with a ESTATE HOME. For the second and third years after INITIAL CONVEYANCE of a LOT, the GENERAL ASSESSMENT and SPECIAL ASSESSMENT for an UNDEVELOPED LOT shall be seventy-five percent (75%) of the GENERAL ASSESSMENT or SPECIAL ASSESSMENT, respectively, enforced at the same time for the same purpose and time frame applicable to a CONVEYED LOT improved with a ESTATE HOME. After the third year following INITIAL CONVEYANCE of a LOT, the GENERAL ASSESSMENT and SPECIAL ASSESSMENT for an UNDEVELOPED LOT shall equal the GENERAL ASSESSMENT or SPECIAL ASSESSMENT, respectively, enforced at the same time for the same purpose and time frame applicable to a CONVEYED LOT improved with a ESTATE HOME.

(d) No GENERAL ASSESSMENT or SPECIAL ASSESSMENT shall be payable with respect to an UNDEVELOPED LOT prior to the INITIAL CONVEYANCE of such LOT.

4.5.1.2 In no event shall a GENERAL ASSESSMENT (other than the Initial GENERAL ASSESSMENT) be imposed for any fiscal year which is more than twenty-five (25%) percent greater than the GENERAL ASSESSMENT for the immediately preceding fiscal year, without the approval of a majority of the OWNERS voting on such question.

4.5.2 GENERAL ASSESSMENTS and SPECIAL ASSESSMENTS shall be assessed on an annual basis although they may, if so determined by the BOARD, be collected on a quarterly or monthly basis except insofar as some other basis for assessment or collection is adopted by the BOARD. The GENERAL ASSESSMENT period shall commence at the beginning of each fiscal year and terminate at the end of such year; provided, however, that the initial GENERAL ASSESSMENT period shall commence upon the INITIAL CONVEYANCE DATE.

4.5.3 To the extent provided for in any SUPPLEMENTARY DECLARATION, that portion of any GENERAL ASSESSMENT or SPECIAL ASSESSMENT which is attributable to the improvement, operation or maintenance of a LIMITED COMMON AREA or the establishment of reserves for the maintenance, repair or replacement of IMPROVEMENTS upon such LIMITED COMMON AREA shall be levied solely upon the OWNER or OWNERS entitled to use such LIMITED COMMON AREA.

4.5.4 Except to the extent as may be otherwise provided in an amendment to THIS DECLARATION or in a SUPPLEMENTARY DECLARATION, if any expense or expenditure incurred by the ASSOCIATION for utilities, telecommunications or other facilities or services which benefit certain LOTS or the OWNERS of certain LOTS more than such facilities or services benefit other LOTS or OWNERS, the BOARD may levy GENERAL ASSESSMENT or SPECIAL ASSESSMENTS against particular LOTS in proportion to the benefits received by each such LOT by reason of such expenses or expenditures. Any such ASSESSMENT may be imposed on a per unit basis or in proportion to usage or on any other reasonable and appropriate basis.

4.5.5 Any expense incurred by the ASSOCIATION for the use of sewer disposal facilities or for connection to public sewer facilities shall be borne by the OWNERS through GENERAL ASSESSMENTS or SPECIAL ASSESSMENTS against particular LOTS in proportion to the benefits received by each such LOT and to which such expense relates. Any such ASSESSMENT may be imposed on a per unit basis or in proportion to usage or on any other reasonable and appropriate basis.

Section 4.6. Date of Commencement of GENERAL ASSESSMENTS and CLUSTER ASSESSMENTS; Adjustments; Due Dates.

The GENERAL ASSESSMENTS and applicable CLUSTER ASSESSMENTS shall commence within sixty (60) days after the subject matter thereof is subjected to THIS DECLARATION. The first GENERAL ASSESSMENTS and all applicable CLUSTER ASSESSMENTS shall be adjusted according to the number of months remaining in the calendar year to which the same is applicable and shall be payable in monthly installments unless the BOARD adopts some other basis for collection. The same adjustments shall apply

to the first GENERAL ASSESSMENTS and CLUSTER ASSESSMENTS levied against any real estate made subject to the scheme of THIS DECLARATION, pursuant to Article II hereof, at any time other than the beginning of an assessment period. The BOARD shall fix the amount of the GENERAL ASSESSMENTS and CLUSTER ASSESSMENTS at least thirty (30) days in advance for each assessment period (except the initial assessment period). Written notice of the ASSESSMENTS shall be sent to each OWNER subject thereto. The due dates for ASSESSMENTS shall be as established by the BOARD.

Section 4.7. Effect of Nonpayment of ASSESSMENTS, Charges and Fees; Remedies of the ASSOCIATION.

4.7.1 Covenant to pay ASSESSMENTS.

(a) Each OWNER on becoming an OWNER of any LOT shall be deemed to covenant and agree to the enforcement of all ASSESSMENTS, in the manner specified in THIS DECLARATION, any applicable SUPPLEMENTARY DECLARATION and any applicable CLUSTER DECLARATION or any of them.

(b) Each OWNER agrees to pay reasonable attorneys' fees and costs incurred in the collection of any ASSESSMENT, against such OWNER, whether by suit or otherwise, or in enforcing compliance with or specific performance of the terms and conditions of THIS DECLARATION and any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT as against such OWNER.

4.7.2 Delinquent ASSESSMENTS. Any ASSESSMENT not paid within ten (10) days after the date on which it becomes due shall be deemed to be delinquent. Delinquent ASSESSMENTS shall be subject to such penalties and interest and at such rate as may be determined from time to time by the BOARD. The BOARD may also by rule provide that in the event payment of an ASSESSMENT is delinquent for a period to be specified in such rule by the BOARD that such OWNER shall be obligated to pay in one installment the entire ASSESSMENT, including any portion of GENERAL ASSESSMENTS and CLUSTER ASSESSMENTS coming due in respect to such LOT for such year. In addition to any other remedies provided in this DECLARATION, any applicable CLUSTER DECLARATION and any applicable SUPPLEMENTARY DECLARATION or any of them or by law, the ASSOCIATION or its authorized representative may on behalf of all OWNERS enforce the obligations of OWNERS to pay the ASSESSMENTS provided for in THIS DECLARATION in any manner provided by law or in equity, and, without any limitation of the foregoing, by suit as provided for by Section 4.7.3 below or by recording a lien as provided for by Section 4.7.4 below.

4.7.3 Enforcement by Suit. The ASSOCIATION may from time to time enforce an OWNER'S obligation to pay ASSESSMENTS of any nature by commencement and maintenance of one or more suits at law against any OWNER or OWNERS personally obligated to pay ASSESSMENTS for such delinquent ASSESSMENTS as to which they are personally obligated, such suit to be maintained in the name of the ASSOCIATION. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon as provided for by this Section 4.7, costs of collection, court costs and reasonable attorneys' fees in such amount as the Court may adjudge against the delinquent OWNER. Suit to recover a money judgment for unpaid ASSESSMENTS shall be maintainable without foreclosing or waiving the lien hereinafter provided for.

4.7.4 Enforcement by Lien.

4.7.4.1 In addition to the enforcement procedures provided for by Section 4.7.2 and 4.7.3 above, the ASSOCIATION may enforce an OWNER'S obligation to pay ASSESSMENTS, by filing a claim of lien or lien as hereinafter set forth. There is hereby created a claim of lien, with power of sale, on each and every LOT to secure payment to the ASSOCIATION of any and all ASSESSMENTS levied against any and all OWNERS of such LOTS pursuant to THIS DECLARATION, together with interest thereon as provided for by this Section 4.7 and all costs of collection which may be paid or incurred by the ASSOCIATION in connection therewith, including reasonable attorneys' fees. At any time after the occurrence of any delinquency in the payment of any such ASSESSMENT, the ASSOCIATION or an authorized representative thereof may make a written demand for payment to the delinquent OWNER. Said demand shall state the date and amount of the delinquency. Each delinquency shall constitute a separate basis for a demand or claim of a lien or a lien, but any number of defaults may be included within a single demand or claim of lien or lien, and any demand or claim of lien or lien on account of prior delinquencies shall be deemed to include subsequent delinquencies and amounts due on account thereof. If such delinquency is not paid within ten (10) days after delivery of such demand, the ASSOCIATION or its duly authorized representative may thereafter elect to record a claim of lien on behalf of the ASSOCIATION against the LOT of the defaulting OWNER in the office of the Recorder of Deeds of Monroe County or with the Prothonotary of the Court of Common Pleas of Monroe County. Such claim of lien shall be executed and acknowledged by any officer of the ASSOCIATION and shall contain substantially the following information:

- (a) The name of the delinquent OWNER;
- (b) The legal description and street address of the LOT against which the claim of lien is made;
- (c) The total amount claimed to be due and owing for the amount of the delinquency, interest thereon, collection costs, and reasonable attorneys' fees (with any proper offset allowed);
- (d) That the claim of lien is made by the ASSOCIATION pursuant to THIS DECLARATION; and
- (e) That a lien is claimed against said LOT in an amount equal to the amount stated, together with all other amounts becoming due from time to time in accordance with THIS DECLARATION.

4.7.4.2 Upon such recordation of a duly executed original or copy of a claim of lien recorded pursuant to Section 4.7.4.1 above, the lien claimed therein shall immediately attach and become effective in favor of the ASSOCIATION as a lien upon the LOT against which such ASSESSMENT was levied. Such a lien shall have priority over all liens or claims created subsequent to the recordation of the claim of lien thereof, except for tax liens for real property taxes and assessments on any LOT in favor of any municipal or other governmental assessing unit.

4.7.4.3 Any such lien may be foreclosed by appropriate action in Court or in the manner

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provided by law for foreclosure of mortgages or sale by a judgment creditor or in any other manner permitted by law. The BOARD is hereby authorized to appoint any attorney or any officer or director of the ASSOCIATION for the purpose of conducting such proceeding.

4.7.4.4 The lien provided for herein shall be in favor of the ASSOCIATION and shall be for the benefit of all other OWNERS and shall secure payment of all sums set forth in the claim of lien, together with all sums becoming due and payable in accordance with THIS DECLARATION after the date of recordation of said claim of lien.

4.7.4.5 To the extent authorized by the BY-LAWS and subject to such limitations and procedures as shall be provided for by the BY-LAWS, the ASSOCIATION shall have the power to bid in at any foreclosure or other judicial sale and to purchase, acquire, hold, lease, mortgage and convey any LOT. In the event such foreclosure or sale is by or pursuant to action in court, reasonable attorneys' fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by law. Each OWNER, by becoming an OWNER of a LOT hereby expressly waives any objection to the enforcement and foreclosure of this lien in this manner and also hereby expressly waives the defense of the statute of limitations applicable to the bringing of any suit or action thereon.

4.7.4.6 Upon the timely curing of any default for which a notice of claim of lien was filed by the ASSOCIATION and the payment of all sums secured by the lien created by the recordation of such claim of lien, the ASSOCIATION shall (upon payment of reasonable costs by the OWNER of the LOT subject to the lien) cause an officer of the ASSOCIATION to file and record an appropriate release of such claim of lien in the office of the Recorder of Deeds for Monroe County and with the Prothonotary of the Court of Common Pleas of Monroe County.

4.7.4.7 Notwithstanding anything contained in THIS DECLARATION to the contrary, no action may be brought to foreclose or otherwise realize on the lien created by recordation of a claim of lien, until the expiration of thirty (30) days after a copy of said claim of lien, showing the date of recordation thereof has been mailed to the OWNER of the LOT which is described in such claim of lien.

4.7.5 No Right to Waive by Non-Use. No OWNER may waive or otherwise escape liability for the ASSESSMENTS provided for in THIS DECLARATION by non-use of the PRD COMMON AREA, or any part thereof, or any other part of the BLUE MOUNTAIN LAKE PROPERTIES, or abandonment of such OWNER'S LOT.

4.7.6 Exemption Laws Waived. Each OWNER does hereby waive, to the extent of any liens created pursuant to THIS DECLARATION, whether such liens are now in existence or are created at any time in the future, the benefit of any exemption laws of the Commonwealth of Pennsylvania now in effect, or in effect from time to time hereafter.

4.7.7 Suspension of Voting Rights: The Board may adopt rules superseding or limiting the voting rights of any ACTIVE MEMBER so long as such ACTIVE MEMBER shall be delinquent in paying any ASSESSMENT that is not at such time the subject matter of a bona fide good faith contest by such ACTIVE MEMBER.

Section 4.8. Subordination to Certain Mortgages.

4.8.1 The lien for the ASSESSMENTS provided for in THIS DECLARATION in connection with a particular LOT shall not be subordinate to the lien of any mortgage except the lien of a PRIOR MORTGAGE.

4.8.2 The sale or transfer of any LOT shall not diminish or defeat the personal obligation under Section 4.1 above of any OWNER for delinquent ASSESSMENTS nor, except as provided for by Section 4.8.3 below, shall such sale or transfer affect the lien provided for by THIS DECLARATION, whether such claim is made prior to, on, or after the date of such sale or transfer.

4.8.3 The conveyance of any LOT pursuant to a foreclosure of a PRIOR MORTGAGE or other judicial sale or proceeding in lieu of foreclosure of a PRIOR MORTGAGE shall extinguish any assessment lien which has attached and become effective prior to the time of such conveyance, with regard to the LOT being so conveyed, and shall preclude the creation of any ASSESSMENT lien against such LOT on account of ASSESSMENTS which became due prior to the date of such conveyance. Liens on account of ASSESSMENTS becoming due after such sale or transfer shall attach, be created, become effective, and be foreclosed in accordance with THIS DECLARATION.

4.8.4 For the purpose of this Section 4.8, a conveyance of a LOT shall occur on the date of recordation of a deed or other instrument of title evidencing the conveyance of record title to the LOT.

Section 4.9. Exempt Property. The following property subject to THIS DECLARATION shall be exempt from the ASSESSMENTS created herein:

4.9.1 Portions of the BLUE MOUNTAIN LAKE PROPERTIES dedicated to and accepted by any local public authority;

4.9.2 The PRD COMMON AREAS; and

4.9.3 Any LIMITED COMMON AREAS.

Section 4.10. Mortgage Protection Clause. No breach of the covenants, conditions or restrictions herein contained nor the enforcement of any lien provisions herein shall defeat or render invalid the lien of any PRIOR MORTGAGE made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any OWNER whose title is derived through foreclosure or other judicial sale or conveyance in lieu of foreclosure or judicial sale of any such PRIOR MORTGAGE.

Section 4.11. CLUSTER ASSESSMENTS.

4.11.1 Each CLUSTER ASSESSMENT levied by the ASSOCIATION upon the LOTS of a particular CLUSTER shall be used exclusively to promote the recreation, health, safety and welfare of the residents and users of such CLUSTER; the improvement, operation and maintenance of any CLUSTER COMMON AREA and LIMITED COMMON AREAS of such CLUSTER; the payment of proper expenses of the ASSOCIATION insofar as related to such CLUSTER; the establishment of reasonable reserves for the

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maintenance, repair and replacement of other IMPROVEMENTS upon the CLUSTER COMMON AREA and LIMITED COMMON AREA of such CLUSTER, and for such other purposes as shall be authorized by the applicable CLUSTER DECLARATION. The applicable CLUSTER DECLARATION shall set forth the basis by which the LOTS of such CLUSTER shall be assessed for CLUSTER ASSESSMENT purposes.

4.11.2 A CLUSTER COMMITTEE may be established for each CLUSTER to advise the BOARD on matters pertaining to the CLUSTER, including the amount and uses of the CLUSTER ASSESSMENTS. Each CLUSTER COMMITTEE shall be composed of at least three (3) members who shall be OWNERS of LOTS in such CLUSTER. The BOARD may, from time to time, adopt, amend and repeal rules and regulations governing CLUSTER COMMITTEES. Until such time as at least eighty percent (80%) of the LOTS in a CLUSTER are owned by other than the DECLARANT or a SUCCESSOR DECLARANT, the DECLARANT or a SUCCESSOR DECLARANT authorized by the DECLARANT to do so shall designate two (2) of the members of any CLUSTER COMMITTEE for such CLUSTER.

Section 4.12. Transfer.

Section 4.12.1 Imposition. (a) After the INITIAL CONVEYANCE of a LOT there shall be imposed on each subsequent OWNER of a LOT upon each CHARGEABLE TRANSFER of such LOT the obligation to pay to the ASSOCIATION a TRANSFER FEE in an amount to be established from time to time by the BOARD but not to exceed the lesser amount of Three Hundred and Fifty Dollars (\$350.00) or one percent of the TRANSFER PRICE. Such TRANSFER FEE shall be paid upon each CHARGEABLE TRANSFER of the LOT on the occasion of each such CHARGEABLE TRANSFER. The TRANSFER FEE is imposed not as a penalty and not as a tax, but as a means of supplementing the ASSESSMENTS provided for in THIS DECLARATION and shall constitute a personal obligation of both the transferor and transferee to the ASSOCIATION.

(b) Upon the transfer of possession of a LOT by way of lease, license to use, or in any other manner, other than a FAMILY TRANSFER, there shall be imposed upon the OWNER of such LOT a LEASING FEE determined in an amount fixed by the BOARD, subject to the following:

(i) For a lease with a term of one month or less, the LEASING FEE shall not exceed twenty-five dollars (\$25.00) adjusted as provided for by Section 8.22 below.

(ii) For a lease with a term of more than one month but less than six months, the LEASING FEE shall not exceed sixty dollars (\$60.00) adjusted as provided for by Section 8.22 below.

(iii) For a Lease with a term of six months or more, but not more than twenty (20) years, the LEASING FEE shall not exceed the greater of the sum of ten (\$10.00) for each month of such term or one percent (1%) of the gross rents, including all sums payable under the lease and collectable as rents.

(iv) The term of a lease for purposes of this Section 4.12.1 shall include all extensions or renewal periods provided for in the lease.

(e) The LEASING FEE payable under items (i) and (ii) of (b) above

shall be payable at commencement of the leasing term. The sums payable under item (iii) of (b) above shall be payable for the first year of the lease term at the commencement of such term and for each subsequent year upon commencement of such lease year.

Section 4.12.2. Definitions.

4.12.2.1 "CHARGEABLE TRANSFER". For the purposes of this Section 4.12, each of the following shall constitute a "CHARGEABLE TRANSFER".

(a) Any conveyance, assignment, or other disposition other than a FAMILY TRANSFER of the ownership of all or any interest (other than a leasehold of twenty (20) years or less) of a CONVEYED LOT, whether occurring in one transaction or a series of related transactions, and whether structured as a transfer of all right, title and interest or of beneficial ownership of all or a part or fractional share of a CONVEYED LOT.

(b) A transfer of an equitable interest under an installment land contract, whether or not recorded and whether or not the purchaser has fulfilled all conditions which would entitle the purchaser to receipt of a deed, if such transaction would otherwise have been a CHARGEABLE TRANSFER had a fee interest been transferred.

(c) A transfer of more than fifty percent (50%) of the ownership of a corporation or of a partnership which, directly or indirectly, owns one or more LOTS shall constitute a transfer of such interest in each such lot so owned.

(d) A lease for a period of more than twenty (20) years.

(e) Any conveyance designed primarily for the avoidance of the payment of the TRANSFER FEE provided for in this Section 4.12;

(f) Any transaction subject to payment of a state, county, school district or township real estate transfer or documentary stamp or similar tax.

4.12.2.2. "FAMILY TRANSFER". For purposes of this Section 4.12, a "FAMILY TRANSFER" shall consist of a transfer of ownership or possession of a LOT solely to one or more parents, grandparents, children, grandchildren, siblings, or the spouse of the transferor.

4.12.2.3. "TRANSFER PRICE". In the case of a transfer for which a documentary fee or transfer tax is required to be paid, the "TRANSFER PRICE" for purposes of this Section 4.12 shall be deemed to be the purchase price evidenced by the amount of the documentary fee or transfer tax shown on the deed or other instrument of transfer. If no documentary fee or transfer tax is required to be paid, the "TRANSFER PRICE" shall be the fair market value of the interest transferred which, if the transaction is a bona fide "arms length" transaction, shall be rebuttably presumed to be the consideration recited in the instrument evidencing the transfer.

Section 4.12.3. Payment and Reports. The TRANSFER FEE shall be due and payable on the date of the CHARGEABLE TRANSFER. Within ten (10) days after the date of the CHARGEABLE

TRANSFER, a report on forms provided by the ASSOCIATION must be filed by the transferee with the Secretary of the ASSOCIATION, and the payment of the TRANSFER FEE shall be delinquent and bear interest and otherwise be treated as an OVERDUE ASSESSMENT if not paid within thirty (30) days after the CHARGEABLE TRANSFER. The report to be filed with the ASSOCIATION shall, at a minimum, describe the CHARGEABLE TRANSFER and state the full amount of the TRANSFER PRICE, the names and addresses of the parties to the CHARGEABLE TRANSFER, and the legal description of the LOT transferred. For the purpose of this Section 4.12, the date of the CHARGEABLE TRANSFER shall be the effective date shown on the deed or other instrument evidencing the transfer; or if no date is shown, the date of its recording; or if neither appears, the actual date the CHARGEABLE TRANSFER became effective as reasonably determined by the ASSOCIATION.

Section 4.12.4. Inspection. The ASSOCIATION at its own expense shall have the right for reasonable cause on reasonable notice at any time or times during regular business hours to inspect and copy all records and to audit all accounts of any OWNER which is reasonably related to the payment of the TRANSFER FEE provided for in this section 4.12.

Section 4.13. LOT MAINTENANCE CHARGE. The ASSOCIATION may impose a LOT MAINTENANCE CHARGE upon each LOT it maintains pursuant to Section 3.5.18 to cover the cost of maintaining such LOT, and a reasonable administrative fee not to exceed twenty-five percent (25%) of the LOT MAINTENANCE CHARGE to cover the related administrative services. The LOT MAINTENANCE CHARGE may be based on the average cost of such maintenance overall on a group of such LOTS and an additional maintenance fee may be imposed to cover extraordinary services or work.

Section 4.14. DECLARANT'S Obligation to Pay Expenses and ASSESSMENTS.

4.14.1 All expenses and costs incurred (on an accrual basis) in connection with the BLUE MOUNTAIN LAKE PROPERTIES shall be borne by DECLARANT until the ASSESSMENT COMMENCEMENT DATE.

4.14.2 After the ASSESSMENT COMMENCEMENT DATE, all expenses and costs incurred in connection with the permanent maintenance and preservation of the PRD COMMON AREA, any LIMITED COMMON AREAS not designated as CLUSTER COMMON AREAS or otherwise included in any CLUSTER, and the operation of the ASSOCIATION shall be borne by the ASSOCIATION through collection of ASSESSMENTS in accordance with this Article IV from all OWNERS, except that until the CONVERSION DATE a DECLARANT shall not be required to pay any ASSESSMENTS since in lieu thereof it is obligated to make the payments provided for by Section 4.14.3 below. After the CONVERSION DATE a DECLARANT shall not be required to pay ASSESSMENTS with respect to any UNDEVELOPED LOTS owned by it.

4.14.3 (a) Notwithstanding anything contained in THIS DECLARATION to the contrary, until the CONVERSION DATE, DECLARANT shall make DECLARANT'S CONTRIBUTION to the ASSOCIATION, in addition to that amount required pursuant to Section 4.14.1, in such sums as may be required to make up any shortfall provided for by the operating budget adopted by the ASSOCIATION for each fiscal year of the ASSOCIATION falling within a period of time commencing with the ASSESSMENT COMMENCEMENT DATE and ending upon the CONVERSION DATE, in accordance with the terms and conditions hereinafter set forth in this Section 4.14. The funds required to be contributed to the

ASSOCIATION by DECLARANT pursuant to this Section 4.14 are referred to in THIS DECLARATION as the DECLARANT'S CONTRIBUTION.

(b) The DECLARANT'S CONTRIBUTION for each fiscal year referred to in (a) above shall equal the amount by which the aggregate of such actual expenditures of the ASSOCIATION for such fiscal year shall exceed the aggregate amount of the GENERAL ASSESSMENTS payable during such fiscal year, except that the DECLARANT'S CONTRIBUTION for the first of such fiscal years only shall include the additional sum of \$1,000, which shall be contributed to the ASSOCIATION to provide additional working capital.

(c) In addition to the DECLARANT'S CONTRIBUTION, DECLARANT shall, upon request from the ASSOCIATION from time to time during the period of time commencing with the INITIAL CONVEYANCE DATE and ending upon the CONVERSION DATE, advance additional reasonable sums to the ASSOCIATION if necessary to provide the ASSOCIATION with temporary funds on account of any delinquent ASSESSMENTS. The ASSOCIATION shall promptly proceed to collect any and all such delinquencies. Upon receipt from time to time by the ASSOCIATION of any sums on account of such delinquent ASSESSMENTS (regardless of whether such receipt shall result from payment by the OWNER, enforcement by suit or lien by the ASSOCIATION pursuant to Section 4.7 above, or otherwise, and regardless of whether such receipt shall occur after the expiration of such time period), the ASSOCIATION shall remit such sums, together with interest from the date of each such advance at the rate agreed upon in writing between DECLARANT and the ASSOCIATION at the time of each such advance (but in no event to exceed the highest rate of interest then permitted by applicable law), to DECLARANT until the DECLARANT has received the aggregate principal amount (excluding interest) of all such advances made by DECLARANT to the ASSOCIATION.

ARTICLE V DESIGN AND ENVIRONMENTAL CONTROLS

Section 5.1. Restricted Activities

Notwithstanding anything contained in THIS DECLARATION expressly or impliedly to the contrary, and subject to any exceptions provided for by the DESIGN REVIEW COMMITTEE RULES, no building, fence, wall, aerial or other projection, addition, porch, patio, deck, structure or other exterior IMPROVEMENT shall be commenced, constructed, painted, erected or placed upon any CONVEYED LOT, or HOME located upon a CONVEYED LOT, until an application including final plans and specifications showing the nature, kind, shape, height, materials, colors, dimensions, and location thereof have been submitted to and approved in writing by the DESIGN REVIEW COMMITTEE as to harmony of exterior design and color with the then existing IMPROVEMENTS erected within the same CLUSTER, conformity with the provisions of THIS DECLARATION, any applicable CLUSTER DECLARATION and SUPPLEMENTARY DECLARATION, or any of them, and location in relation to surrounding structures and topographies. DESIGN REVIEW COMMITTEE approval shall also be required for the construction or reconstruction upon a CONVEYED LOT of a HOME to replace a destroyed or damaged HOME. Improvements and alterations which are completely within a building may be undertaken without such application and approval.

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Section 5.2. DESIGN REVIEW COMMITTEE - Composition, Appointment, Removal.

5.2.1 Committee Composition.

5.2.1.1 The DESIGN REVIEW COMMITTEE shall be composed of three (3) members. No member of the committee need be an architect, or a member, officer or director of the ASSOCIATION or meet any other particular qualification except as otherwise provided in this Section 5.2. The DESIGN REVIEW COMMITTEE shall perform the functions and exercise the authority set forth in Section 5.3 below.

5.2.2 Appointment and Removal of Members of Committee.

5.2.2.1 So long as the DECLARANT or any SUCCESSOR DECLARANT shall own five (5) or more LOTS or there remains any portion of the ADDITIONAL PROPERTY that has not been annexed to the scheme of THIS DECLARATION, all members of the DESIGN REVIEW COMMITTEE shall be appointed, removed and replaced by the DECLARANT or by a SUCCESSOR DECLARANT authorized to do so by a RECORDED DOCUMENT executed by the DECLARANT.

5.2.2.2 The members of the DESIGN REVIEW COMMITTEE shall be appointed, removed and replaced by the BOARD after the first date that both (A) either all portions of the ADDITIONAL PROPERTY have been annexed to the scheme of this DECLARATION or the ANNEXATION PERIOD has expired, and (B) the DECLARANT and any SUCCESSOR DECLARANTS then own a total of no more than five (5) LOTS.

5.2.2.3 Notwithstanding the foregoing provisions of this Section 5.2.2 the DECLARANT or any SUCCESSOR DECLARANT authorized by the DECLARANT to do so may at any time by a RECORDED DOCUMENT transfer to the BOARD the right to appoint, remove and replace the members of the DESIGN REVIEW COMMITTEE.

Section 5.3. Functions of DESIGN REVIEW COMMITTEE.

The DESIGN REVIEW COMMITTEE shall:

5.3.1. Review, study and either approve or reject proposed IMPROVEMENTS to each CONVEYED LOT, all in compliance with THIS DECLARATION, any applicable CLUSTER DECLARATION and SUPPLEMENTARY DECLARATION or any of them and as further set forth in the COMMITTEE RULES and any DESIGN GUIDELINES adopted and established from time to time by the DESIGN REVIEW COMMITTEE;

5.3.2. Ascertain that any proposed construction upon a CONVEYED LOT or change of exterior appearance of any HOME erected on a CONVEYED LOT conforms to plans previously approved by the DESIGN REVIEW COMMITTEE;

5.3.3. Adopt DESIGN REVIEW COMMITTEE RULES and DESIGN GUIDELINES;

5.3.4. Recommend to the BOARD enforcement of the provisions of this Article V; and

5.3.5. Carry out all other duties imposed upon it by THIS DECLARATION or delegated to it by the BOARD.

Section 5.4. DESIGN REVIEW COMMITTEE Procedures.

5.4.1 The DESIGN REVIEW COMMITTEE shall meet from time to time as necessary to perform its duties under this Article V. The vote or written consent of a majority of the members of such committee, at a meeting or otherwise, shall constitute the act of the committee. The committee shall keep and maintain a written record of all actions taken by it at such meetings or otherwise.

5.4.2 Any person desiring to take any action requiring approval of the committee shall submit to the committee an application including copies of the plans and specifications therefor in the form specified by the committee plus such other information as the committee may reasonably request and pay such reasonable fee as may from time to time be fixed by the BOARD. Any such submission not disapproved in writing within forty-five (45) days shall be deemed approved unless the committee shall determine and so notify the applicant that the submission is not satisfactory, specifying with particularity the further information needed or the defects in the submission made. In the event of such a notice by the committee that the submission is not satisfactory, the forty-five (45) day period provided for herein shall commence again when a resubmission is made. This procedure may be repeated where the committee deems such actions necessary to permit compliance with THIS DECLARATION, any applicable CLUSTER DECLARATION, any applicable SUPPLEMENTARY DECLARATION, any applicable DESIGN GUIDELINES and performance by the DESIGN REVIEW COMMITTEE of its duties and compliance with its BY-LAWS or any of the foregoing.

Section 5.5. Estoppel Certificate. Within twenty (20) days after written request therefor is delivered to the DESIGN REVIEW COMMITTEE by the ASSOCIATION or any OWNER, and upon payment of such reasonable fee as may, from time to time, be fixed by the BOARD, the DESIGN REVIEW COMMITTEE shall provide an estoppel certificate, executed by any two of its members, certifying with respect to any HOME or LOT that, as of the date thereof, either (i) the DESIGN REVIEW COMMITTEE has no objection to any IMPROVEMENTS and other work made or done thereon or therein, or (ii) such IMPROVEMENTS or work do not so comply with THIS DECLARATION, in which event the certificate shall also (1) identify the non-complying IMPROVEMENTS or work and (2) set forth with reasonable particularity the cause or causes for such non-compliance. Any purchaser from the ASSOCIATION or an OWNER, or mortgagee or other encumbrancer, shall be entitled to rely on any such certificate with respect to the matters therein set forth, such matters being conclusive as between the ASSOCIATION, and all OWNERS and any such purchaser, mortgagee or other encumbrancer.

Section 5.6. DESIGN REVIEW COMMITTEE RULES. The DESIGN REVIEW COMMITTEE may, from time to time adopt, amend and repeal, by majority vote or written consent of its members, rules and regulations, to be known as "The DESIGN REVIEW COMMITTEE RULES." Until the expiration of the ANNEXATION PERIOD, no such rule or regulation shall become effective unless approved in writing by DECLARANT. Such rules may interpret and implement THIS DECLARATION, any CLUSTER DECLARATION, and any SUPPLEMENTARY DECLARATION by setting forth the standards and procedures for review by the DESIGN REVIEW COMMITTEE and may provide for a procedure for appeal of any determination or guidelines of the DESIGN REVIEW COMMITTEE to the BOARD or other body specified by such rules. The DESIGN REVIEW COMMITTEE RULES may prohibit the granting of estoppel certificates

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and approval of proposed activity required pursuant to Section 5.1 above with respect to any LOTS for which ASSESSMENTS are not then current. A copy of the DESIGN REVIEW COMMITTEE RULES as they may be amended from time to time shall upon request be made available by the ASSOCIATION to all members and other interested persons.

Section 5.7. DESIGN GUIDELINES.

5.7.1 The DESIGN REVIEW COMMITTEE may from time to time adopt and amend DESIGN GUIDELINES related to construction methods, procedures and activities and architectural design, landscaping, color schemes, exterior finishes and materials and similar features, or any of the foregoing. DESIGN GUIDELINES must be consistent with the provisions of THIS DECLARATION and, as to any particular CLUSTER, the CLUSTER DECLARATION and ANY SUPPLEMENTARY DECLARATION applicable to such CLUSTER.

5.7.2 A copy of such DESIGN GUIDELINES, as they may be amended from time to time, shall upon request be made available by the ASSOCIATION to all members and other interested persons. Until the expiration of the ANNEXATION PERIOD, no such DESIGN GUIDELINES shall become effective unless approved in writing by DECLARANT. The DESIGN GUIDELINES shall not be inconsistent with any provisions of THIS DECLARATION, but shall more specifically define and describe the design standards for BLUE MOUNTAIN LAKE PROPERTIES.

5.7.3 Specific standards regarding construction methods and construction related activities, including but not limited to excavation, drainage, utility lines, loading areas, use of construction vehicles and other equipment, waste storage, noise restrictions and abatement, time limitations on construction activity, use of roads, trash removal, materials storage, and transformers and meters, may be set forth in the DESIGN GUIDELINES.

5.7.4 The DESIGN REVIEW COMMITTEE, in its sole discretion, may excuse compliance with particular provisions of the DESIGN GUIDELINES as the DESIGN REVIEW COMMITTEE deem not to be necessary or appropriate in specific situations and may permit compliance with different or alternative requirements.

5.7.5 Compliance with the DESIGN GUIDELINES is not a substitute for compliance with Commonwealth of Pennsylvania, Monroe County and Stroud Township building, zoning, and subdivision statutes, ordinances, regulations, and this Article V. Each OWNER is responsible for obtaining all approvals, licenses, and permits as may be required prior to commencing construction.

Section 5.8. No Waiver. The approval of the DESIGN REVIEW COMMITTEE of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the DESIGN REVIEW COMMITTEE under THIS DECLARATION, any DESIGN REVIEW COMMITTEE RULES or DESIGN GUIDELINES or applicable CLUSTER DECLARATION or SUPPLEMENTARY DECLARATION shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

Section 5.9. Enforcement of the DESIGN REVIEW COMMITTEE RULES, DESIGN GUIDELINES and DESIGN REVIEW COMMITTEE Decisions. The DESIGN REVIEW COMMITTEE may recommend to

DECLARANT or the BOARD that DECLARANT or the BOARD take appropriate action to prevent or remove any unauthorized or unapproved construction or IMPROVEMENTS on any portion of the BLUE MOUNTAIN LAKE PROPERTIES. It shall be conclusively presumed that any action subject to approval of the DESIGN REVIEW COMMITTEE was so approved if the DESIGN REVIEW COMMITTEE fails to make such a recommendation to DECLARANT or to the BOARD within one (1) year after the date of occurrence or completion of such construction or IMPROVEMENT unless the Board or DECLARANT has prior to the end of such one year period notified the OWNER of the involved LOT of the alleged violation.

Section 5.10. Limitation of Liability. The DESIGN REVIEW COMMITTEE shall use reasonable judgment in accepting or disapproving all plans and specifications submitted to it. Neither the DESIGN REVIEW COMMITTEE, DECLARANT, any SUCCESSOR DECLARANT nor any member, officer, director or shareholder of any of the foregoing, shall be liable to the ASSOCIATION, any OWNER, or to any other party, for any damage, loss or prejudice suffered or claimed on account of (a) the approval or disapproval of any plans, drawings, or specifications, whether or not defective, (b) the construction or performance of any work upon the BLUE MOUNTAIN LAKE PROPERTIES, (c) the execution and filing of any estoppel certificate, whether or not the facts therein are correct, or (d) any other act, action or conduct of the DESIGN REVIEW COMMITTEE, or any of the members thereof, so long as with respect to the liability of a member of the DESIGN REVIEW COMMITTEE under this Section (d), such member has acted in good faith on the basis of such information as may in fact be possessed by him without any obligation to make further inquiry. The provisions of this Section 5.10 shall be in addition to and are not intended to limit the provisions of Section 3.7 of THIS DECLARATION.

Section 5.11. DECLARANT's Exception. Notwithstanding anything to the contrary contained in THIS DECLARATION, the provisions of this Article V and any rules or regulations adopted by the DESIGN REVIEW COMMITTEE shall not apply to DECLARANT prior to the termination of both the ANNEXATION PERIOD and the DECLARANT CONTROL PERIOD.

Section 5.12. Organization and Operation of the DESIGN REVIEW COMMITTEE.

5.12.1. Term. The term of office of each member of the DESIGN REVIEW COMMITTEE shall be one year, commencing January 1 of each year, and continuing until such member's successor shall have been appointed. Should a DESIGN REVIEW COMMITTEE member die, retire, become incapacitated, or in the event of a temporary absence of a member, a successor may be appointed as provided in Section 5.2.2.

5.12.2. Chairman. So long as DECLARANT appoints the members of the DESIGN REVIEW COMMITTEE, DECLARANT shall appoint the Chairman. At such time as the DESIGN REVIEW COMMITTEE is appointed by the BOARD, the Chairman shall be elected annually from among the members of the DESIGN REVIEW COMMITTEE by majority vote of the members.

5.12.3. Operations. The Chairman shall take charge of and conduct all meetings and shall provide for reasonable notice to each member of the DESIGN REVIEW COMMITTEE prior to any meeting. The notice shall set forth the time and place of the meeting, and notice may be waived by any member. In the absence of a Chairman, the party responsible for appointing or electing the Chairman may appoint or elect a successor, or if the absence is temporary, a temporary successor.

5.12.4 Voting. The affirmative vote of a majority of the members of the DESIGN REVIEW COMMITTEE shall govern its actions and be the act of the DESIGN REVIEW COMMITTEE. A quorum shall consist of a majority of the members.

Section 5.13. Expert Consultation. The DESIGN REVIEW COMMITTEE may avail itself of technical and professional advice and consultants as it deems appropriate.

Section 5.14. Expenses. Except as provided below, all expenses of the DESIGN REVIEW COMMITTEE shall be paid by the Association. The DESIGN REVIEW COMMITTEE shall have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the DESIGN REVIEW COMMITTEE from time to time, and such fees shall be collected by the DESIGN REVIEW COMMITTEE and remitted to the ASSOCIATION to help defray the expenses of the DESIGN REVIEW COMMITTEE'S operation. Until December 31, 1992, the filing fee shall not exceed \$250 per HOME, but may be subject to reasonable increase after that date as determined by the BOARD on recommendation from the DESIGN REVIEW COMMITTEE.

Section 5.15. Other Limitations. Approval by the DESIGN REVIEW COMMITTEE does not assure approval by the appropriate governmental board or commission for the Commonwealth of Pennsylvania, Monroe County, or Stroud Township and may not be relevant to such approval. Each OWNER is responsible prior to commencing any construction or other work on such OWNER'S LOT to secure all such required approvals, permits and other authorizations of the appropriate government agencies and provide copies of the same to the DESIGN REVIEW COMMITTEE. Notwithstanding that the DESIGN REVIEW COMMITTEE has approved plans and specifications, neither the DESIGN REVIEW COMMITTEE nor any of its members shall be responsible or liable to any Owner, any developer or contractor or other person or entity with respect to any loss, liability, claim, or expense which may arise by reason of such approval of the construction of the IMPROVEMENTS. Neither the BOARD, the DESIGN REVIEW COMMITTEE, or any agent thereof, nor DECLARANT or any of its employees, agents, or consultants shall be responsible in any way for any defects in any plans or specifications submitted, revised or approved in accordance with the provisions of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS, nor for any structural or other defects in any work done according to such plans and specifications. In all events the DESIGN REVIEW COMMITTEE shall be defended and indemnified by the ASSOCIATION in any such suit or proceeding which may arise by reason of the DESIGN REVIEW COMMITTEE'S decision. The ASSOCIATION, however, shall not be obligated to indemnify each member of the DESIGN REVIEW COMMITTEE to the extent any such member of the DESIGN REVIEW COMMITTEE shall be adjudged to be liable for misconduct in the performance of his duty as a member of the DESIGN REVIEW COMMITTEE, unless and then only to the extent that the Court in which such action or suit may be brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

Section 5.16. Removal of Nonconforming IMPROVEMENTS. The ASSOCIATION, upon request of the DESIGN REVIEW COMMITTEE and after reasonable notice to the offender and to the OWNER of the involved LOT or LOTS and opportunity for the offender and OWNER of the subject LOT or LOTS to be heard, may upon reasonable notice remove any IMPROVEMENTS constructed, reconstructed, refinished, altered, or maintained on any CONVEYED LOT in violation of this Article V and the OWNER of the IMPROVEMENTS shall immediately reimburse the ASSOCIATION for all expenses incurred in

connection with such removal.

Section 5.17. ENVIRONMENTAL COMMITTEE

5.17.1 ENVIRONMENTAL COMMITTEE Composition. The ENVIRONMENTAL COMMITTEE shall be composed of three (3) members who need not be members of the ASSOCIATION. The ENVIRONMENTAL COMMITTEE shall perform the functions and exercise the authority as set forth in this Section 5.17.

5.17.2 Appointment and Removal of Members of Committee.

5.17.2.1 So long as the DECLARANT or any SUCCESSOR DECLARANT shall own five (5) or more LOTS or there remains any portion of the ADDITIONAL PROPERTY that has not been annexed to the scheme of THIS DECLARATION, all members of the ENVIRONMENTAL COMMITTEE shall be appointed, removed and replaced by the DECLARANT or by a SUCCESSOR DECLARANT authorized to do so by a RECORDED DOCUMENT executed by the DECLARANT.

5.17.2.2 The members of the ENVIRONMENTAL COMMITTEE shall be appointed, removed and replaced by the BOARD after the first date that both (A) either all portions of the ADDITIONAL PROPERTY have been annexed to the scheme of this DECLARATION or the ANNEXATION PERIOD has expired, and (B) the DECLARANT and any SUCCESSOR DECLARANTS then own a total of no more than five (5) LOTS.

5.17.2.3 Notwithstanding the foregoing provisions of this Section 5.17.2, the DECLARANT or any SUCCESSOR DECLARANT authorized by the DECLARANT to do so may at any time by a RECORDED DOCUMENT transfer to the BOARD the right to appoint, remove and replace the members of the ENVIRONMENTAL COMMITTEE.

5.17.3. Functions of ENVIRONMENTAL COMMITTEE.

The ENVIRONMENTAL COMMITTEE shall:

5.17.3.1. Adopt and revise from time to time ENVIRONMENTAL COMMITTEE RULES and ENVIRONMENTAL GUIDELINES and adopt and administer procedures for the granting of variances from the same for good cause.

5.17.3.2. Recommend to the BOARD enforcement of the provisions of this Section 5.17 and of the ENVIRONMENTAL COMMITTEE RULES and ENVIRONMENTAL GUIDELINES; and

5.17.3.3. Carry out all other duties imposed upon it by THIS DECLARATION or delegated to it by the BOARD to the extent not inconsistent with THIS DECLARATION.

5.17.3.4 Establish and administer programs of environmental education.

5.17.4. ENVIRONMENTAL COMMITTEE Procedures. The ENVIRONMENTAL COMMITTEE shall meet from time to time as necessary to perform its duties. The vote or written consent of a majority

of the members of such committee, at a meeting or otherwise, shall constitute the act of the committee. The committee shall keep and maintain a written record of all actions taken by it at such meetings or otherwise.

5.17.5. Term of ENVIRONMENTAL COMMITTEE Members. The term of office of each member of the ENVIRONMENTAL COMMITTEE shall be one year, commencing January 1 of each year, and continuing until such member's successor shall have been appointed.

5.17.6. Chairman. So long as DECLARANT appoints the members of the ENVIRONMENTAL COMMITTEE, DECLARANT shall appoint the Chairman. At such time as the ENVIRONMENTAL COMMITTEE is appointed by the BOARD, the Chairman shall be elected annually from among the members of the ENVIRONMENTAL COMMITTEE by majority vote of the members.

5.17.7. Voting. The affirmative vote of a majority of the members of the ENVIRONMENTAL COMMITTEE shall govern the actions and be the act of the ENVIRONMENTAL COMMITTEE. A quorum shall consist of a majority of the members.

5.17.8. Expert Consultation. The ENVIRONMENTAL COMMITTEE may upon approval of the BOARD and at the expense of the ASSOCIATION avail itself of technical and professional advice and consultants as it deems appropriate.

5.17.9. Expenses. Except as provided below, all expenses of the ENVIRONMENTAL COMMITTEE shall be paid by the ASSOCIATION. The ENVIRONMENTAL COMMITTEE shall have the right to charge a fee for each application submitted to it for review, in an amount which may be established by the ENVIRONMENTAL COMMITTEE from time to time, and such fees shall be collected by the ENVIRONMENTAL COMMITTEE and remitted to the ASSOCIATION to help defray the expenses of the ENVIRONMENTAL COMMITTEE'S operation.

5.17.10. Other Limitations. Approval by the ENVIRONMENTAL COMMITTEE of any proposed action does not assure approval by the appropriate governmental board or commission for the Commonwealth of Pennsylvania, Monroe County, or Stroud Township and may not be relevant to such approval. Notwithstanding that the ENVIRONMENTAL COMMITTEE has approved specific activity or taken any other action, neither the ENVIRONMENTAL COMMITTEE nor any of its members shall be responsible or liable to any one with respect to any loss, liability, claim, or expense which may arise by reason of such approval or action. Neither the BOARD, the ENVIRONMENTAL COMMITTEE, or any agent thereof, nor DECLARANT or any of its employees, agents, or consultants shall be responsible in any way for any act of the ENVIRONMENTAL COMMITTEE. In all events the ENVIRONMENTAL COMMITTEE shall be defended and indemnified by the ASSOCIATION in any such suit or proceeding which may arise by reason of the ENVIRONMENTAL COMMITTEE'S actions. The ASSOCIATION, however, shall not be obligated to indemnify each member of the ENVIRONMENTAL COMMITTEE to the extent any such member of the ENVIRONMENTAL COMMITTEE shall be adjudged to be liable for misconduct in the performance of his duty as a member of the ENVIRONMENTAL COMMITTEE, unless and then only to the extent that the Court in which such action or suit may be brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expense as such court shall deem proper.

5.18 Wells and Other Installations. No well from which water, oil, or gas is produced shall be dug, nor shall storage tanks, reservoirs, or any installation of power, telephone, or other utility lines (wire, pipe, or conduit) be made or operated anywhere on the BLUE MOUNTAIN LAKE PROPERTIES except in connection with water wells and works operated by the UTILITIES ASSOCIATION or duly authorized public utility companies or otherwise approved by the BOARD; provided, however, that the foregoing shall not prevent the drilling of or installation of water wells by DECLARANT, the UTILITIES ASSOCIATION or the assigns, successors or designee of either of them. Each structure erected within the BLUE MOUNTAIN LAKE PROPERTIES which is designed for occupancy or use by humans (other than solely as a storage facility) shall connect with water and sanitation facilities as shall be made available from time to time by the UTILITIES ASSOCIATION or any other approved person or entity.

ARTICLE VI
PROPERTY RIGHTS

Section 6.1. Members' Easements of Enjoyment. Every member of the ASSOCIATION shall as OWNER of one or more LOTS have a right and non-exclusive easement of use and enjoyment in and to the PRD COMMON AREA. The right and easement to use and enjoy the PRD COMMON AREA shall be appurtenant to and shall pass with the title to every LOT subject to the following limitations:

6.1.1 The right of the ASSOCIATION to limit the number of guests of the OWNER or occupants of each LOT that may use the PRD COMMON AREA or any specified portion thereof, on each occasion or over a specified period of time and to adopt ASSOCIATION RULES regulating the use and enjoyment of the PRD COMMON AREA or any specified portion thereof.

6.1.2 The right of the ASSOCIATION to suspend the voting rights and right to use of the recreational facilities situated upon the PRD COMMON AREA by a member (i) for any period during which any ASSESSMENT against such member's LOT remains delinquent, and (ii) for a period not to exceed thirty (30) days after notice and hearing as may be provided for in the BY-LAWS for each infraction of the ASSOCIATION RULES.

6.1.3 The right of the ASSOCIATION to dedicate or transfer all or any part of the PRD COMMON AREA to any public agency, authority, or utility for the purpose of providing utilities and similar or related purposes. Except as otherwise provided by Section 3.4.5 above, no such dedication or transfer shall be effective unless an instrument has been approved by two-thirds (2/3rds) of the votes of all the members and may be made subject to such conditions as two-thirds (2/3rds) of the votes of all the members may designate in conjunction with such dedication or transfer. Until the expiration of the ANNEXATION PERIOD, any such dedication or transfer shall be effected only if approved in writing by DECLARANT.

6.1.4 The right of the ASSOCIATION to charge a reasonable admission or other fee for the use by guests of any recreational facility situated upon the PRD COMMON AREA.

6.1.5 The right of the ASSOCIATION, with the assent of two-thirds (2/3rds) of the votes of the ACTIVE MEMBERS and two-thirds (2/3rds) of the votes (if any) of the FOUNDING MEMBERS, to mortgage, pledge or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, except that the ASSOCIATION may mortgage, pledge or hypothecate the PRD COMMON AREA only as provided for by Section 7.1.1 below and may mortgage pledge or hypothecate any CLUSTER

COMMON AREA or LIMITED COMMON AREA only with the written approval of the OWNERS and NOTICED MORTGAGEES of all appurtenant LOTS.

Section 6.2. Delegation of Use. The OWNER of any HOME may delegate to any occupant of such HOME the right to the use and enjoyment of the PRD COMMON AREA and any privilege appurtenant to such HOME or the LOT on which the same is located to use and enjoy any LIMITED COMMON AREAS.

Section 6.3. Title to PRD COMMON AREA. BML hereby covenants for itself, and its successors, that title to the portion of the PRD COMMON AREAS described in Exhibit 'C' will be conveyed on or prior to the INITIAL CONVEYANCE DATE to the ASSOCIATION in fee simple free of all liens (other than the then current year's taxes, if any, and THIS DECLARATION) but subject to such other encumbrances as may have been created prior to or in conjunction with such conveyance. DECLARANT and any successor DECLARANT may (but shall not be obligated to) convey to the ASSOCIATION in fee simple free of all liens (other than the then current year's taxes, if any, and THIS DECLARATION) ADDITIONAL PROPERTY, improved or unimproved, located within the BLUE MOUNTAIN LAKE PROPERTIES, which upon such conveyance shall be accepted by the ASSOCIATION and shall be maintained by the ASSOCIATION thereafter for the benefit of the members of the ASSOCIATION.

Section 6.4. Parking Rights. The use of PARKING AREAS (if any) within the PRD COMMON AREA or any LIMITED COMMON AREA, together with the terms and conditions with regard to such use, shall be subject to and at all times governed by the ASSOCIATION RULES as the same are in effect from time to time.

Section 6.5. Privilege to Use ACTIVE RECREATION AREAS. Each OWNER of a HOME and the SINGLE FAMILY of such OWNER is hereby granted a limited privilege to use any ACTIVE RECREATION AREA, provided that such OWNER:

6.5.1 Has applied for such privilege of use by signing any application in appropriate and reasonable form for such purpose as may be specified by the ASSOCIATION.

6.5.2 Adheres to reasonable and appropriate rules and regulations pertaining to the use of the ACTIVE RECREATION AREA which may at any time and from time to time be established, amended and revised by the ASSOCIATION.

Section 6.6. Easements of Enjoyment for LIMITED COMMON AREAS. Every Member of the ASSOCIATION designated in THIS DECLARATION or any CLUSTER DECLARATION or CLUSTER PLAT or LOT PLAT as being vested with the privilege to use and enjoy a specific LIMITED COMMON AREA shall have a right and easement of use and enjoyment in and to such LIMITED COMMON AREA and such easements shall be appurtenant to and shall pass with the title to every such LOT so privileged, subject to the following provisions:

6.6.1 The right of the ASSOCIATION to limit the number of guests, and to adopt ASSOCIATION RULES regulating the use and enjoyment of LIMITED COMMON AREAS.

6.6.2 The right of the ASSOCIATION to suspend the right to use of such LIMITED COMMON

AREA or any part thereof by a member and the occupants of any LOTS owned by such member for any period during which any ASSESSMENT against any LOT owned by such member remains delinquent.

6.6.3 The right of the ASSOCIATION to dedicate or transfer all or any part of a LIMITED COMMON AREA to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members as herein provided in this Subsection 6.6.3. No such dedication or transfer shall be effective unless an instrument of dedication has been approved by two-thirds (2/3) of the member votes attributable to LOTS privileged to use the LIMITED COMMON AREA to be so dedicated or transferred. Until the expiration of the ANNEXATION PERIOD, any such dedication or transfer shall be effective only if approved in writing by DECLARANT.

ARTICLE VII EASEMENTS

Section 7.1. PRD COMMON AREAS.

7.1.1 PRD COMMON AREAS.

(a) Each LOT is hereby declared to have, subject to the provisions of THIS DECLARATION, a non-exclusive easement over all of the PRD COMMON AREA for the benefit of such LOT, the OWNERS of such LOT and each of them, and for their respective families, guests, invitees, tenants and contract purchasers, for recreational and other appropriate intended purposes and uses and, without limiting the generality of the foregoing, for ingress and egress over and through the PRD COMMON AREA. In furtherance of the establishment of this easement, the individual grant deeds and mortgages to each LOT may, but shall not be required to, set forth the foregoing easement.

(b) Except as otherwise provided for by Section 6.1.3, above, the PRD COMMON AREA may be alienated, released, transferred, hypothecated or otherwise encumbered only with the written approval of OWNERS entitled to cast 90% of all the votes which OWNERS are entitled to cast at such time and holders of first mortgages on ninety percent (90%) of the LOTS which are then subject to first mortgages.

7.1.2 LIMITED COMMON AREAS.

7.1.2.1 Specific LOTS are hereby declared to have, subject to the provisions of THIS DECLARATION, an easement over such LIMITED COMMON AREA as shall be designated as reserved for the use of such LOTS by a RECORDED LOT PLAT, CLUSTER PLAT, final recorded plan of a portion of the BLUE MOUNTAIN LAKE PROPERTIES or by a RECORDED CLUSTER DECLARATION or SUPPLEMENTARY DECLARATION. Each such easement over a LIMITED COMMON AREA shall be non-exclusive unless such LIMITED COMMON AREA is intended to be used for the benefit of a single LOT.

7.1.2.2 Subject to the provisions of THIS DECLARATION and any applicable CLUSTER DECLARATION and SUPPLEMENTARY DECLARATION each easement provided for by this Section 7.1.2 over a LIMITED COMMON AREA shall be for the benefit of such LOTS as shall be privileged to use and enjoy such LIMITED COMMON AREA, the OWNERS of such LOTS and each of them, and for their

respective families, guests, invitees, tenants and contract purchasers, for recreational purposes and uses, for parking and for other appropriate uses as authorized by the applicable BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS and, without limiting the generality of the foregoing, for ingress and egress over and through such LIMITED COMMON AREA. In furtherance of the establishment of this easement, the individual grant deeds and mortgages to each such LOT may, but shall not be required to, set forth the foregoing easement or specifics as to particular easements.

Section 7.2. Encroachment.

7.2.1 Each LOT, and the PRD COMMON AREA and any LIMITED COMMON AREAS are hereby declared to have an easement over all adjoining LOTS and the PRD COMMON AREA and any LIMITED COMMON AREAS for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of OWNERS shall not be altered in any way by said encroachments, settling or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an OWNER or OWNERS if said encroachment occurred due to the willful act or acts with full knowledge of said OWNER or OWNERS.

7.2.2 In the event a structure on any LOT is partially or totally destroyed, and then repaired or rebuilt, the OWNERS of each LOT agree that minor unintentional encroachments over adjoining LOTS shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

Section 7.3. ASSOCIATION Functions. There is hereby reserved to DECLARANT, any SUCCESSOR DECLARANTS, and the ASSOCIATION, or their duly authorized agents, representatives and managers, such easements as are necessary to perform the duties and obligations of the ASSOCIATION as are set forth in THIS DECLARATION and the other BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

Section 7.4. Covenants Running With Land. Each of the easements provided for in THIS DECLARATION shall be deemed to be established upon the recordation of THIS DECLARATION, and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the LOTS, the PRD COMMON AREAS, and any LIMITED COMMON AREA, as the case may be, superior to all other encumbrances applied against or in favor of any portion of the BLUE MOUNTAIN LAKE PROPERTIES.

Section 7.5. Prior Easements and Covenants. Notwithstanding anything expressly or impliedly to the contrary provided for by this DECLARATION, the BLUE MOUNTAIN LAKE PROPERTIES shall be subject to all easements and other covenants and servitudes heretofore or hereafter granted by DECLARANT or the ASSOCIATION for the installation and maintenance of utilities, sewers, television and communication equipment and facilities (cable or otherwise), drainage and similar facilities that are necessary or appropriate for the development of the BLUE MOUNTAIN LAKE PROPERTIES. The PRD COMMON AREA, CLUSTER COMMON AREAS, LIMITED COMMON AREAS, LOTS and portions of any of them may be subjected to easements, covenants or other servitudes as provided for in the particular conveyances from the DECLARANT or others to the ASSOCIATION or LOT OWNER.

Section 7.6. Utility Easement. The rights and duties of the OWNERS of LOTS with respect to sanitary sewers and water, electricity, television facilities, gas, and telephone shall be governed by the following:

7.6.1 Whenever sanitary sewer connections and water connections, electricity, television (cable or otherwise), gas, telephone or other communication, utility or similar lines or facilities or any of them are installed within the BLUE MOUNTAIN LAKE PROPERTIES, which connections or any portion thereof lie in or upon LOTS owned by others than the OWNERS of the LOT served by said connections, the OWNERS of any LOT served by said connections and the UTILITIES ASSOCIATION or other companies providing such services or facilities shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon LOTS or to have the UTILITIES ASSOCIATION or other companies providing such services or facilities enter upon the LOTS within the BLUE MOUNTAIN LAKE PROPERTIES in or upon which said connections, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

7.6.2 Whenever sanitary sewer house connections and water house connections or electricity, television (cable or otherwise), gas or telephone and other communication lines or any of them are installed within the BLUE MOUNTAIN LAKE PROPERTIES, which connections serve more than one LOT, the OWNER of each LOT served by said connections shall be entitled to full use and enjoyment of such portions of said connections as service such OWNER'S LOT.

7.6.3 In the event of a dispute between OWNERS with respect to the repair or rebuilding of any connections, or with respect to the sharing of the cost thereof, then upon written request of one of such OWNERS addressed to the ASSOCIATION, the matter shall be submitted to the BOARD, which shall decide the dispute and make an ASSESSMENT against any or all of the OWNERS involved, which ASSESSMENT shall be collected and enforced in the manner provided by THIS DECLARATION.

Section 7.7. Access to LOTS. The OWNER of each LOT shall have an unrestricted right of ingress and egress to his or her LOT over the PRD COMMON AREAS and any CLUSTER COMMON AREAS and LIMITED COMMON AREAS to the extent necessary or reasonable to provide access to such LOT. This right shall be perpetual and shall be appurtenant to and pass with the title to each such LOT.

Section 7.8. DECLARANT's Easement.

7.8.1 So long as DECLARANT shall be an OWNER or shall own any portion of the ADDITIONAL PROPERTY and thereafter until DECLARANT shall have satisfied all of its obligations under any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT and commitments of any nature made at any time in favor of any OWNER or OWNERS, DECLARANT shall have an easement in favor of itself and its designees to use portions of the PRD COMMON AREA, any CLUSTER COMMON AREAS and LIMITED COMMON AREAS and may also use any LOTS owned by DECLARANT (or designated by DECLARANT for such purposes) for construction and sales related purposes including the storage of tools, machinery, equipment, building materials, appliances, supplies and fixtures, the performance of work respecting the BLUE MOUNTAIN LAKE PROPERTIES and the maintenance of model units, sales and administrative offices, communication facilities and signs.

7.8.2 So long as DECLARANT shall be an OWNER or shall own any portion of the ADDITIONAL

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PROPERTY and thereafter until DECLARANT shall have satisfied all of its obligations under any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT and commitments of any nature made at any time in favor of any OWNER or OWNERS, DECLARANT shall have an easement on, over and under the ground within each LOT, PRO COMMON AREA, CLUSTER COMMON AREAS and LIMITED COMMON AREAS for the purpose of maintaining and correcting drainage of surface, roof or storm water. The easement created by this Section 7.8.2 expressly includes the right to cut any trees, bushes or shrubbery, to grade the soil or to take any other action reasonably necessary, following which the DECLARANT shall restore the affected property as closely to its original condition as practicable.

7.8.3 So long as DECLARANT shall be an OWNER or shall own any portion of the ADDITIONAL PROPERTY and thereafter until DECLARANT shall have satisfied all of its obligations under any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT and commitments of any nature made at any time in favor of any OWNER or OWNERS, the DECLARANT shall have an easement through all of the LOTS and all other parts of the BLUE MOUNTAIN LAKE PROPERTIES for any access necessary or appropriate to complete any construction to be performed by DECLARANT, or to satisfy any warranty obligations of DECLARANT.

Section 7.9. ASSOCIATION'S Employees. Employees, agents and independent contractors of the ASSOCIATION (including, without limitation, the MANAGER) shall at all reasonable times have the right to ingress and egress over such portions of the BLUE MOUNTAIN LAKE PROPERTIES as is reasonably necessary for the purpose of performing the business, obligations and duties of the ASSOCIATION as may be directed by the BOARD.

ARTICLE VIII GENERAL PROVISIONS

Section 8.1. Enforcement.

8.1.1 The ASSOCIATION, the UTILITIES ASSOCIATION, or any OWNER, shall have the right to enforce, by any proceeding at law or in equity, all provisions of THIS DECLARATION and all other BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

8.1.2 The failure of any OWNER to comply with the provisions of any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT shall give rise to a cause of action in the ASSOCIATION or the UTILITIES ASSOCIATION, as applicable, and any aggrieved OWNER for the recovery of damages, or for injunctive relief or both. The preceding sentence shall not be construed to authorize a cause of action against the DECLARANT unless the failure of DECLARANT to comply with the provisions of any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT directly arises in DECLARANT's capacity as OWNER of a LOT.

8.1.3 Failure by the ASSOCIATION, the UTILITIES ASSOCIATION or any OWNER to enforce any covenant or restriction contained in any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT shall in no event be deemed a waiver of the right to do so thereafter. A waiver of such right shall be effective only pursuant to an instrument in writing signed by the party to be charged with such waiver and shall be limited to the particular covenant, condition or restriction contained herein which is expressly set forth in such written waiver as being waived.

Section 8.2. Severability. Invalidation of any one of the provisions of THIS DECLARATION By

Judgment or court order shall in no way affect any other provisions hereof, and all such other provisions shall remain in full force and effect to the extent consistent with the objectives and general content of this document.

Section 8.3. Term.

(a) The easements, covenants, rights, conditions, affirmative obligations and restrictions of THIS DECLARATION (including the rights to amend and terminate herein provided) shall run with and bind the land, and shall inure to the benefit of and be enforceable by the ASSOCIATION, the UTILITIES ASSOCIATION, as applicable, the OWNER of any LOT, their respective legal representatives, heirs, successors and assigns, and any of them until January 1, 2010 and thereafter until twenty-one (21) years following the last to occur of (i) the death of the survivor of the incorporators of the ASSOCIATION and (ii) the death of each person who shall be an initial purchaser from DECLARANT of a LOT located within the INITIAL PROPERTY and is alive on the date of initial recording of this DECLARATION and (iii) the death of all persons who were on the date of recording this DECLARATION shareholders, officers or directors of the DECLARANT and (iv) the death of all the presently living descendants of any of the persons described in the foregoing clauses (i), (ii) or (iii).

(b) In addition to (a) above unless within one (1) year prior to the expiration of said twenty-one (21) year period or prior to December 31, 2050, whichever occurs first, there shall be recorded an instrument directing the termination of THIS DECLARATION signed by not less than two-thirds (2/3rds) of all ACTIVE MEMBERS of the ASSOCIATION, THIS DECLARATION as amended and in effect immediately prior to such expiration date shall, subject to the provisions herein contained, be continued automatically, without any further notice, for an additional period of ten (10) years, and thereafter for successive period of ten (10) years, unless within one (1) year prior to the expiration of any such period THIS DECLARATION is terminated by a RECORDED INSTRUMENT of such persons.

Section 8.4. Amendments.

8.4.1 Except as otherwise provided for by Section 8.4.4 below, in addition to the rights reserved to DECLARANT pursuant to Article II to modify or supplement THIS DECLARATION with respect to ANNEXED LANDS, and Section 8.4.3 below, and unless specifically provided to the contrary in Section 8.16 or any other provision of THIS DECLARATION, THIS DECLARATION may be amended or terminated pursuant to the written consent of all of the following:

(a) OWNERS representing not less than sixty-seven percent (67%) of the total voting power of the then existing OWNERS,

(b) NOTICED MORTGAGEES holding first mortgage liens on LOTS representing not less than fifty-one percent (51%) of the total ASSOCIATION voting power for ACTIVE MEMBERS and for FOUNDING MEMBERS whose LOTS are subject to QUALIFYING MORTGAGES which are first mortgages and which first mortgages are of record prior to the effective date of such amendment, and

(c) (until conversion of all FOUNDING MEMBERSHIPS to ACTIVE MEMBERSHIPS)
DECLARANT.

8.4.2 Any such amendment or termination shall become effective immediately upon proper recordation in the office of the Recorder of Deeds for Monroe County of a document complying with the requirements of this Section 8.4, and any other attempt to amend or terminate the provisions of THIS DECLARATION shall be null and void and of no effect.

8.4.3 Notwithstanding any other provision of THIS DECLARATION, the DECLARANT, by its own action, shall have the right to amend THIS DECLARATION during the ANNEXATION PERIOD solely in order to comply with the rules, requirements or guidelines, as amended from time to time of, or the approval conditions imposed by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the U.S. Department of Housing and Urban Development, the Veterans Administration or any other governmental or quasi-governmental body or agency or any institution holding or insuring a security interest in any LOT or any other portion of the BLUE MOUNTAIN LAKE PROPERTIES or regulating the sale or offering for sale of any LOT or other portion of BLUE MOUNTAIN LAKE PROPERTIES in any state or other jurisdiction.

8.4.4 Notwithstanding any other provision of THIS DECLARATION a vote to terminate THIS DECLARATION other than due to substantial destruction or condemnation of the BLUE MOUNTAIN LAKE PROPERTIES shall be effective only if approved by NOTICED MORTGAGEES holding QUALIFYING MORTGAGES which are first mortgage liens on LOTS representing not less than sixty-seven (67%) of the total ASSOCIATION voting power for ACTIVE MEMBERS and for FOUNDING MEMBERS subject to such first mortgages and which first mortgages are of record prior to the effective date of such termination.

Section 8.5. Violation and Nuisance. Every act or omission whereby any provision of THIS DECLARATION is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by DECLARANT, the ASSOCIATION or any OWNER or OWNERS of LOTS.

Section 8.6. Violation of Law. Any violation of any state, municipal, or local law, ordinance or regulation, pertaining to the ownership, occupation or use of any of the BLUE MOUNTAIN LAKE PROPERTIES other than by DECLARANT is hereby declared to be a violation of THIS DECLARATION and subject to any or all of the enforcement procedures set forth herein.

Section 8.7. Remedies Cumulative. Each remedy set forth in THIS DECLARATION shall be in addition to all other remedies whether available at law or in equity, and all such remedies, whether or not set forth in THIS DECLARATION shall be cumulative and not exclusive.

Section 8.8. Delivery of Notices and Documents.

8.8.1 Unless otherwise permitted by the BY-LAWS, any written notice or other documents addressed to the BOARD, DESIGN REVIEW COMMITTEE, ENVIRONMENTAL COMMITTEE or any subcommittee thereof, DECLARANT, any SUCCESSOR DECLARANT, ASSOCIATION, or any other committee, relating to or required or permitted by THIS DECLARATION or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT may be delivered either personally or by certified mail, return receipt requested, with a duplicate copy mailed in either case at approximately the same time by ordinary mail. If sent by certified mail, it shall be deemed to have been given, delivered and received seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed

to the address made known for such purpose by such prospective addressee. Any such address may be changed at any time by the party to receive such notice by delivering a written notice of such change of address to the ASSOCIATION secretary. The secretary of the ASSOCIATION shall take reasonable action to make such change known to the members of the ASSOCIATION.

8.8.2 Any written notice or other documents relating to or required or permitted by THIS DECLARATION or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT may be delivered to an OWNER either personally or by mail in the manner provided for by the BY-LAWS. Each OWNER of a LOT shall file his correct mailing address with the ASSOCIATION, and shall promptly notify the ASSOCIATION in writing of any subsequent change of address. In the event that any OWNER shall fail to notify the ASSOCIATION of such OWNER'S then current address, notice by the ASSOCIATION addressed to such OWNER'S last address of which the ASSOCIATION was notified shall be adequate for all purposes, even if the communication addressed to such last known address shall be returned to the ASSOCIATION as "addressee unknown" or otherwise undeliverable or delivery shall be refused at such address.

Section 8.9. THIS DECLARATION. By acceptance of a deed or by acquiring any ownership interest in any portion of the BLUE MOUNTAIN LAKE PROPERTIES, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, binds himself, his heirs, personal representatives, successors, transferees and assigns, to all of the provisions, restrictions, covenants, conditions, rules, and regulations now or hereafter imposed by THIS DECLARATION and any amendments or supplements thereof. In addition, each such person by so doing thereby acknowledges that THIS DECLARATION sets forth a general scheme for the improvement and development of the real property covered hereby, and hereby evidences his intent that all the restrictions, conditions, covenants, rules and regulations contained in THIS DECLARATION and all liens imposed pursuant to THIS DECLARATION shall run with the land and be binding on all subsequent and future OWNERS, grantees, purchasers, assignees, and transferees thereof. Furthermore, each such person fully understands and acknowledges that THIS DECLARATION shall be mutually beneficial to and enforceable by the various subsequent and future OWNERS.

Section 8.10. Utility Easements. Each LOT shall be conveyed to OWNERS (other than DECLARANT), and thereafter held by such OWNERS, their successors and assigns, subject to any and all easements of record at the time of the INITIAL CONVEYANCE of the particular LOT involved to an OWNER (other than DECLARANT) for the use and benefit of the UTILITIES ASSOCIATION and such other authorized public and other utilities, including but not limited to, telephone, cable television, sanitary sewers, water, gas, and electrical and drainage easements. No OWNER shall damage or interfere with the installation and maintenance of such utilities, or in any manner change the direction or flow of drainage channels in any such easements, or in any manner obstruct or retard the flow of water through drainage channels in any such easements.

Section 8.11. Notification of Sale of LOT; Prohibition Against Certain Restrictions.

8.11.1 Within five (5) business days following the conveyance of a LOT, the transferee shall notify the ASSOCIATION in writing of such conveyance. Such notification shall set forth (i) the names of the transferee and transferor, (ii) the street address of the LOT acquired by the transferee, (iii) the transferee's mailing address, (iv) the TRANSFER PRICE incident to such conveyance, and (v) the date of conveyance. Prior to receipt of such notification, any and all communications required or permitted to be given by the

MANAGER, the ASSOCIATION, the BOARD or any COMMITTEE of the ASSOCIATION shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor.

8.11.2 The right of any OWNER to sell, transfer or otherwise convey a LOT is not subject to any right of first refusal or similar restriction in favor of the ASSOCIATION.

8.11.3 The BOARD shall, upon written request and for a reasonable charge, furnish to an OWNER or NOTICED MORTGAGEE of a LOT requesting the same a certificate signed by an officer of the ASSOCIATION setting forth whether all ASSESSMENTS and charges on such LOT have been paid, and whether or not there are any uncorrected violations of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS involving such OWNER or LOT of which the ASSOCIATION has notified the OWNER. Such certificate shall be conclusive evidence, as against the ASSOCIATION, in favor of the NOTICED MORTGAGEE requesting the certificate or in favor of the person receiving the certificate directly from the OWNER, if the NOTICED MORTGAGEE or such person relies on such certificate.

Section 8.12. Mortgages.

8.12.1 Each OWNER shall promptly upon the same being created notify the ASSOCIATION of the name and address of the holders of all mortgages encumbering such OWNER'S LOT. Each OWNER shall likewise notify the ASSOCIATION as to the release or discharge of any such mortgage. In addition, the holder, insurer or guarantor of any mortgage encumbering a LOT may notify the ASSOCIATION of such holder's, insurer's or guarantor's identity and address and a description of the LOT by street address which such holder's, insurer's or guarantor's mortgage encumbers.

8.12.2 The ASSOCIATION shall maintain a record of the names and addresses of the holders, insurers and guarantors of NOTICED MORTGAGES as to which it receives notice pursuant to the provisions of this Section 8.12. Upon the specific written request of a NOTICED MORTGAGEE or the servicer of such a mortgage, such NOTICED MORTGAGEE or servicer shall be entitled to receive some or all of the following as designated in the request:

8.12.2.1 Copies of budgets, notices of assessment, or any other notices or statements provided under THIS DECLARATION by the ASSOCIATION to the OWNER covered by the mortgage;

8.12.2.2 Any financial statements of the ASSOCIATION which are prepared for the BOARD and distributed to the OWNERS, including, after the fifth month of each fiscal year, an audited statement for the preceding fiscal year;

8.12.2.3 Notice of any delinquency of more than sixty (60) days in the payment of ASSESSMENTS or charges owed to the ASSOCIATION by the OWNER of the LOT which is subject to the mortgage;

8.12.2.4 Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the ASSOCIATION;

8.12.2.5 Any condemnation or casualty loss that affects either a material portion of the

BLUE MOUNTAIN LAKE PROPERTIES or the HOME securing the mortgagee's mortgage;

8.12.2.6 Any action submitted to mortgagees for consent which would require the consent of a specified percentage of any specified group of mortgage holders that includes the mortgagees making the request.

8.12.3 The request of a NOTICED MORTGAGEE or its servicer shall specify which of the above items it desires to receive and shall indicate the address to which any notices or documents shall be sent by the ASSOCIATION. The ASSOCIATION need not inquire into the validity of any request made hereunder by a NOTICED MORTGAGEE. The ASSOCIATION may refuse to honor any request where, after reasonable inquiry, it shall determine that the person making such request is not entitled to the material so requested and may establish reasonable rules to implement this Section 8.12.3.

8.12.4 Failure to comply with the requirements set forth in Subsections 8.12.2 and 8.12.3 shall in no way invalidate the otherwise proper actions of the ASSOCIATION or the BOARD.

8.12.5 The ASSOCIATION shall if requested to do so by the NOTICED MORTGAGEE use its best efforts to provide reasonable advance notice under the circumstances of all meetings of the members of the ASSOCIATION to such holders of first mortgages on any LOT as shall have, by written notice to the ASSOCIATION, advised the ASSOCIATION of their desire to receive such notice.

8.12.6 The ASSOCIATION shall permit any holder of a mortgage on any LOT to inspect the books and records of the ASSOCIATION during normal business hours upon reasonable advance notice.

Section 8.13. Headings and Interpretation.

8.13.1 The headings introducing the text of the several sections of THIS DECLARATION are solely for convenience of reference and shall not constitute part of THIS DECLARATION or affect its meaning in any way.

8.13.2 In the event of any conflict between the provisions of THIS DECLARATION and the provisions of the BY-LAWS or ARTICLES of the ASSOCIATION, the provisions of THIS DECLARATION shall prevail.

Section 8.14. Reference of Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular and plural as the identity of the person or persons or entities may require.

Section 8.15. CLUSTER DECLARATION.

8.15.1 A DECLARANT may submit any group of LOTS owned by it to a CLUSTER DECLARATION relative to the establishment of additional maintenance areas and to provide for a CLUSTER design review procedure, CLUSTER ASSESSMENT, CLUSTER use restrictions, repair and maintenance of LOTS and HOMES, LIMITED COMMON AREAS and IMPROVEMENTS within the CLUSTER, easements, reconstruction of any damaged or destroyed IMPROVEMENTS, party walls, special procedures applicable to CLUSTER ASSESSMENTS for that CLUSTER, and other matters of common concern of the OWNERS

of the LOTS agreeing to any such particular CLUSTER DECLARATION. A CLUSTER DECLARATION may designate any portion of the BLUE MOUNTAIN LAKE PROPERTIES (other than LOTS) being subjected to the CLUSTER DECLARATION as CLUSTER COMMON AREA(S) or as LIMITED COMMON AREA(S), but no such designation, and no use, control, or limitation on LOTS or portions of the BLUE MOUNTAIN LAKE PROPERTIES other than LOTS, shall derogate any rights of OWNERS whose LOTS are not in the CLUSTER. A CLUSTER DECLARATION may also permit the ANNEXATION of ADDITIONAL PROPERTY to the scheme of such CLUSTER DECLARATION, if such ADDITIONAL PROPERTY is annexed to the scheme of THIS DECLARATION.

8.15.2 Any such particular CLUSTER DECLARATION shall be binding upon and affect only LOTS whose OWNERS execute and acknowledge such particular RECORDED DOCUMENT and then only to the extent not inconsistent with the provisions of THIS DECLARATION or any applicable SUPPLEMENTARY DECLARATION.

8.15.3 A CLUSTER DECLARATION may be amended only in the manner provided for by such CLUSTER DECLARATION.

8.15.4 In the event there exists a QUALIFYING MORTGAGE, on a particular LOT which mortgage was recorded prior to the recording date of such CLUSTER DECLARATION and as to which the ASSOCIATION has received notice in accordance with the provisions of Section 8.12, any such CLUSTER DECLARATION shall be effective as to such particular LOT only upon the filing of record of an approval of such CLUSTER DECLARATION by the holder of such mortgage.

8.15.5 Except as provided in Section 8.15, such CLUSTER DECLARATION and any amendment thereto shall become effective immediately upon proper recordation in the office of the Recorder of Deeds for Monroe County of a document complying with the requirements of this Section 8.15. Any attempt to amend the provisions of the CLUSTER DECLARATION other than as heretofore provided shall be null and void and of no effect. Until conversion of all FOUNDING MEMBERSHIPS to ACTIVE MEMBERSHIPS, no CLUSTER DECLARATION or any amendment thereto shall become effective unless executed or approved in writing by DECLARANT.

Section 8.16. Reserved Powers.

8.16.1 So long as DECLARANT shall own any LOTS or any portion of the ADDITIONAL PROPERTY, no "DECLARANT RELATED AMENDMENT" (as such term is defined in Section 8.16.2 below) shall be made to THIS DECLARATION or to any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT, nor shall any BLUE MOUNTAIN LAKE PROPERTY DOCUMENT be executed, adopted or promulgated by the ASSOCIATION or the BOARD unless such DECLARANT RELATED AMENDMENT or BLUE MOUNTAIN LAKE PROPERTY DOCUMENT shall be specifically approved in writing by DECLARANT.

8.16.2 For purposes of section 8.16.1, an amendment of a BLUE MOUNTAIN LAKE PROPERTY DOCUMENT which does any of the following shall be considered to be a "DECLARANT RELATED AMENDMENT":

8.16.2.1 Discriminates or tends to discriminate against DECLARANT or any SUCCESSOR DECLARANT as an OWNER or otherwise.

8.16.2.2 Directly or indirectly by its provisions or in practical application relates to any DECLARANT or any SUCCESSOR DECLARANT in a manner different from the manner in which it relates to other OWNERS.

8.16.2.3 Modifies the definitions provided for by Article I of THIS DECLARATION in a manner which alters DECLARANT's or any SUCCESSOR DECLARANT's rights or status.

8.16.2.4 Modifies or repeals any provision of Article II of THIS DECLARATION.

8.16.2.5 Alters the character and rights of membership as provided for by Article III of THIS DECLARATION or affects or modifies in any manner whatsoever the rights of DECLARANT or any SUCCESSOR DECLARANT as a member of the ASSOCIATION.

8.16.2.6 Alters any previously recorded or written agreement with any public or quasi-public agencies, utility companies, political subdivisions, public authorities or other similar agencies or bodies, respecting zoning suspension, streets, roads, drives, easements or facilities.

8.16.2.7 Denies the right of DECLARANT or any SUCCESSOR DECLARANT to convey to the ASSOCIATION as PRD COMMON AREA, ACTIVE RECREATIONAL AREA or as LIMITED COMMON AREAS any portions of the ADDITIONAL PROPERTY.

8.16.2.8 Modifies the basis or manner of assessment, as applicable to the DECLARANT or any SUCCESSOR DECLARANT or any LOTS owned by DECLARANT or any SUCCESSOR DECLARANT as provided for by Article IV.

8.16.2.9 Modifies the provisions of Article V (design control) as applicable to the DECLARANT or any SUCCESSOR DECLARANT or any LOTS owned by DECLARANT or any SUCCESSOR DECLARANT.

8.16.2.10 Limits or restricts the authority of the DESIGN REVIEW COMMITTEE or the ENVIRONMENTAL COMMITTEE or the right of the DECLARANT under sections 5.2.2 and 5.17.2 to appoint, restore and replace members of such committees.

8.16.2.11 Alters the provisions of any protective covenants, limitations, restrictions or easements as provided for by any CLUSTER DECLARATION.

8.16.2.12 Alters or repeals any of DECLARANT's or any SUCCESSOR DECLARANT's rights or any provision applicable to DECLARANT's or any SUCCESSOR DECLARANT's rights as provided for by any provision of THIS DECLARATION or of any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT applicable to DECLARANT or any SUCCESSOR DECLARANT.

8.16.3 Until expiration of the ANNEXATION PERIOD, and conversion of all FOUNDING MEMBERSHIPS to ACTIVE MEMBERSHIPS, no action may be taken by the BOARD, the DESIGN REVIEW COMMITTEE, the ENVIRONMENTAL COMMITTEE, or the ASSOCIATION applicable to the DECLARANT or any of the LOTS owned by the DECLARANT, or the ADDITIONAL PROPERTY, unless such action shall be approved in writing by the DECLARANT.

8.16.4 Following the expiration of the ANNEXATION PERIOD and conversion of all FOUNDING MEMBERSHIPS to ACTIVE MEMBERSHIPS, no action may be taken by the ASSOCIATION which would serve to restrict the installation of PRD COMMON AREA facilities substantially represented in plans of public record or in the general plan of development particularly as they may have been required or approved by public agencies unless any such restrictions have been agreed to by the DECLARANT and, to the extent such approval is appropriate, the Federal Housing Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Veterans Administration, the Planning Commission of the Township of Stroud, the Executive Authority or Commissioners of the Township of Stroud, and others (who are not ACTIVE MEMBERS) as may have been party to any commitments regarding PRD COMMON AREA development to the extent, if any, any such commitments may exist.

Section 8.17. Mortgagee Approval. Except as otherwise provided for in a mortgagee protective agreement entered into pursuant to Section 3.5.5 above, wherever any provision of THIS DECLARATION or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT requires or permits certain action to be approved or consented to by any NOTICED MORTGAGEE or other holder of a mortgage on any LOT, such NOTICED MORTGAGEE or other holder shall be deemed to have approved or consented to such action if such NOTICED MORTGAGEE or other holder has not notified the DECLARANT or BOARD in writing of its disapproval or withholding of its consent within thirty (30) days after a request for its approval or consent has been sent to the NOTICED MORTGAGEE or other holder by first class mail or by such other means as may be required or permitted by the applicable BLUE MOUNTAIN LAKE PROPERTY DOCUMENT.

Section 8.18. Declarant Approval. If the approval or consent of DECLARANT to certain action is required pursuant to any provision of THIS DECLARATION or of any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT, DECLARANT shall be deemed to have approved or consented to such action if DECLARANT has not notified the BOARD of its disapproval or withholding of its consent within thirty (30) days after a request for DECLARANT's approval or consent has been sent to DECLARANT by registered mail, return receipt requested, addressed to such address as shall have been given by DECLARANT to the BOARD (or if no such address has been given, addressed to the address of DECLARANT's registered office in Pennsylvania).

Section 8.19. Damage and Destruction; Condemnation

8.19.1 Damage and Destruction.

8.19.1.2 Immediately after any damage or destruction by fire or other casualty to any IMPROVEMENTS covered by insurance written in the name of the ASSOCIATION, the BOARD, or its duly authorized agent, shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed properties. Repair or reconstruction, as used in this subsection means repairing or restoring the damaged or destroyed properties to substantially the same condition in which such properties existed prior to the fire or other casualty.

8.19.1.3 Any damage or destruction to the PRD COMMON AREA shall be repaired or reconstructed unless FOUNDING MEMBERS, if any, representing eighty percent (80%) of the votes of all

FOUNDING MEMBERS and ACTIVE MEMBERS representing the votes of at least eighty percent (80%) of the votes of all ACTIVE MEMBERS shall agree in writing within ninety (90) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid to the ASSOCIATION as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the ASSOCIATION within such ninety (90) day period, then the period shall be extended until thirty (30) days after such information shall have been made available; provided, however, such extension shall not exceed one hundred and eighty (180) days.

8.19.1.4 If the damage or destruction for which the insurance proceeds are paid is to be repaired or reconstructed, the proceeds shall be disbursed to the ASSOCIATION in payment of such repairs or reconstruction. Any proceeds remaining after defraying such costs of repairs or reconstruction shall be retained by and for the benefit of the ASSOCIATION and placed in a capital improvements accounts. If it is determined that the damage or destruction for which the proceeds are paid shall not be repaired or reconstructed, such proceeds shall be disbursed in the manner as provided for excess proceeds in the immediately preceding sentence. In the event that it should be determined by the ASSOCIATION in the manner described above that the damage or destruction of the PRD COMMON AREA shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the damaged or destroyed properties shall be restored to their natural state and maintained as an undeveloped portion of the PRD COMMON AREA by the ASSOCIATION in a neat and attractive condition.

8.19.2 Condemnation.

(a) Whenever all or any part of the PRD COMMON AREA shall be taken (or conveyed in lieu of and under threat of condemnation by the BOARD acting on behalf of all OWNERS) by any authority having the power of condemnation or eminent domain, each OWNER and NOTICED MORTGAGEE shall be entitled to notice thereof. The award made for such taking shall be payable to the ASSOCIATION as Trustee for all OWNERS and shall be disbursed as hereinafter set forth. If the taking involves a portion of the PRD COMMON AREA on which improvements have been constructed, then, unless within sixty (60) days after such taking the DECLARANT and at least seventy-five (75%) percent of the ACTIVE MEMBERS of the ASSOCIATION shall otherwise agree, the ASSOCIATION shall restore or replace such improvements so taken on the remaining land included in the PRD COMMON AREA to the extent lands are available therefor, in accordance with plans approved by the DESIGN REVIEW COMMITTEE. If the taking does not involve any improvements on the PRD COMMON AREA, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the ASSOCIATION and used for such purposes as the BOARD shall determine.

(b) Whenever all or any part of a CLUSTER COMMON AREA shall be taken (or conveyed in lieu of and under threat of condemnation by the BOARD acting on behalf of all OWNERS or the OWNERS of the affected CLUSTER) by any authority having the power of condemnation or eminent domain, each OWNER of a LOT within the affected CLUSTER and NOTICED MORTGAGEE of a LOT within the affected CLUSTER shall be entitled to notice thereof. The award made for such taking shall be payable to the ASSOCIATION as Trustee for all OWNERS of LOTS within the affected CLUSTER and shall be disbursed as hereinafter set forth. If the taking involves a portion of a CLUSTER COMMON AREA on

which improvements have been constructed, then, unless within sixty (60) days after such taking the DECLARANT and at least seventy-five (75%) percent of the OWNERS of LOTS within the affected CLUSTER shall otherwise agree, the ASSOCIATION shall restore or replace such improvements so taken on the remaining land included in the affected CLUSTER COMMON AREA to the extent lands are available therefor, in accordance with plans approved by the DESIGN REVIEW COMMITTEE. If the taking does not involve any improvements on the affected CLUSTER COMMON AREA, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the ASSOCIATION and used for such purposes as the OWNER of the LOTS within the affected CLUSTER shall determine with each LOT entitled to one vote and one share of any amount distributed to the OWNERS of affected LOTS.

8.19.3 Power of Attorney. The ASSOCIATION is hereby irrevocably appointed the attorney-in-fact for each OWNER and each holder of a mortgage or other lien upon a LOT for the purposes of the collection and appropriate disposition of the insurance proceeds and condemnation awards referred to in Sections 8.19.1 and 8.19.2 of THIS DECLARATION; the participation in all proceedings or determinations relating to such proceeds and awards; the negotiations of all losses resulting from any damage or destruction to the IMPROVEMENTS or any part thereof covered by such insurance or from any condemnation of all or any part of the PRO COMMON AREA; the execution of all documents relating to or connected with such insurance or condemnation matters; and the performance of all other acts necessary to accomplish such purposes.

Section 8.20. RESIDENTS' RELATIONS COMMITTEE.

8.20.1 The RESIDENTS' RELATIONS COMMITTEE shall be composed of five (5) principal members plus one (1) alternate member and shall perform the functions and exercise the authority described in this Section 8.20.

8.20.2 The BOARD shall appoint the members of the RESIDENTS' RELATIONS COMMITTEE to serve one (1) year terms. Four (4) members of the RESIDENTS' RELATIONS COMMITTEE shall constitute a quorum and three (3) votes shall be required for any Committee decision.

8.20.3 The RESIDENTS' RELATIONS COMMITTEE shall elect its own chairman. No member of the RESIDENTS' RELATIONS COMMITTEE may serve on the BOARD or as Chairman of any other committee of the ASSOCIATION.

8.20.4 The RESIDENTS' RELATIONS COMMITTEE shall receive, investigate, attempt to resolve, hold hearings on, and recommend sanctions arising out of written complaints respecting the subject matter of this DECLARATION, or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS. Complaints to the RESIDENTS' RELATIONS COMMITTEE shall be in writing and may be made to the RESIDENTS' RELATIONS COMMITTEE only by the BOARD, a member of the ASSOCIATION, the MANAGER or the DECLARANT or a SUCCESSOR DECLARANT.

8.20.5 The RESIDENTS' RELATIONS COMMITTEE shall keep and maintain a written record of its actions.

8.20.5.1 The Committee may with the approval of the Board, amend, from time to time

the rules, regulations and procedures attached hereto as Exhibit 'D' and to be known as 'RESIDENTS' RELATIONS COMMITTEE RULES.'

8.20.5.2 A copy of the RESIDENTS' RELATIONS COMMITTEE RULES shall upon request be made available by the ASSOCIATION to all OWNERS and to any other person who is the subject of a complaint made by the Committee.

8.20.6 All written complaints presented to the RESIDENTS' RELATIONS COMMITTEE shall be received and handled in accordance with the RESIDENTS' RELATIONS COMMITTEE rules as such rules and regulations may be amended, supplemented or repealed from time to time.

Section 8.21. Availability of Documents. The ASSOCIATION shall keep current copies of all BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS as well as the books of account, records, and financial statements of the ASSOCIATION available for inspection by OWNERS and by holders, insurers, and guarantors of first mortgages that are secured by LOTS. These documents shall be so available for inspection during normal business hours or under other reasonable circumstances and copies shall be provided for a reasonable charge to any such persons requesting the same.

8.22. Cost of Living Adjustment. Whenever reference is made to this section 8.22 as the basis of adjustment of any sum expressed by a specified amount of money, the amount of money so specified shall be recomputed each year to equal a sum determined by multiplying the specified sum by a fraction, the numerator of which shall be the PRICE INDEX for the month of January of the year for which such amount is being determined and the denominator of which shall be the PRICE INDEX for January of 1992.

ARTICLE IX UTILITY SERVICE

Section 9.1. The Utilities Association; Organization.

9.1.1 The UTILITIES ASSOCIATION is a nonprofit Pennsylvania corporation charged with the duties and vested with the powers prescribed by law and set forth in the UTILITIES ASSOCIATION ARTICLES, the UTILITIES ASSOCIATION BY-LAWS, and THIS DECLARATION. Neither the UTILITIES ASSOCIATION ARTICLES nor the UTILITIES ASSOCIATION BY-LAWS shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with THIS DECLARATION. In the event of any such inconsistency, the provisions of THIS DECLARATION shall prevail.

9.1.2 The officers of the UTILITIES ASSOCIATION and the members of the UTILITIES ASSOCIATION BOARD shall be required to be either (i) members of the UTILITIES ASSOCIATION, or (ii) officers, directors, agents, representatives or employees of DECLARANT or of a SUCCESSOR DECLARANT. The officers of the UTILITIES ASSOCIATION and the members of the UTILITIES ASSOCIATION BOARD may also serve as officers and members of the BOARD of the ASSOCIATION.

9.1.3 The UTILITIES ASSOCIATION BOARD and such officers and agents as the UTILITIES ASSOCIATION BOARD may elect or appoint, shall conduct the affairs of the UTILITIES ASSOCIATION in accordance with the UTILITIES ASSOCIATION DOCUMENTS. The UTILITIES ASSOCIATION BOARD shall, subject to any approval by the members of the UTILITIES ASSOCIATION as

required by the UTILITIES ASSOCIATION BY-LAWS, act on behalf of the UTILITIES ASSOCIATION in the implementation of Sections 9.4 and 9.5 of THIS DECLARATION.

Section 9.2. The Utilities Association: Membership.

9.2.1 Qualifications. Each OWNER (including DECLARANT) shall be a member of the UTILITIES ASSOCIATION and shall be entitled to one membership for each LOT owned by such person or with respect to which such person owns a life estate or term of years initially in excess of twenty (20) years.

9.2.2 Member's Rights and Duties. Each member of the UTILITIES ASSOCIATION shall have the rights, duties and obligations set forth in the applicable UTILITIES ASSOCIATION DOCUMENTS.

9.2.3 Transfer of Membership. The UTILITIES ASSOCIATION membership of each OWNER (including DECLARANT) shall be appurtenant to the LOT giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said LOT or transfer or termination of the life estate or term of years giving rise to status as OWNER, and then only to the transferee of title to such LOT, to the holder of the remainder interest, or to the transferee of the life estate or term of years. Any attempt to make a prohibited transfer shall be void. Any transfer of title or other interest as contemplated by this Section 9.2.3 shall operate automatically to transfer the membership in the UTILITIES ASSOCIATION appurtenant thereto to the new OWNER. The commencement of the life estate or term of years in excess of twenty (20) years shall not be a prohibited transfer and the successor in interest upon becoming the OWNER with respect to the subject LOT shall thereupon become a member of the UTILITIES ASSOCIATION.

Section 9.3. The Utilities Association: Voting Rights of Members - Class of Members.

9.3.1 Classes of Voting Members. The UTILITIES ASSOCIATION shall have the following two (2) classes of voting memberships:

(a) ACTIVE MEMBERS. The OWNER of each LOT who is not then a FOUNDING MEMBER shall be an ACTIVE MEMBER of the UTILITIES ASSOCIATION and as such shall, except as may otherwise be provided for by rules approved by the UTILITIES ASSOCIATION BOARD pursuant to Section 9.6.9 below, be entitled to one (1) vote for each such LOT owned.

(b) FOUNDING MEMBERS.

(i) The DECLARANT shall be deemed a FOUNDING MEMBER until such time as the DECLARANT shall own no LOTS or such membership has been converted to that of an ACTIVE MEMBER. Any SUCCESSOR DECLARANT, if designated as such by the DECLARANT, shall be a FOUNDING MEMBER until such time as such SUCCESSOR DECLARANT owns no LOTS or the membership of such SUCCESSOR DECLARANT has been converted to that of an ACTIVE MEMBERSHIP.

(ii) A FOUNDING MEMBER may at any time convert such membership to that of an ACTIVE MEMBER by a RECORDED DOCUMENT.

(iii) The FOUNDING MEMBERS shall at any point in time as a group be entitled to the aggregate number of votes equal to 1200 votes less a number of votes equal to the total number of votes to which ACTIVE MEMBERS are then entitled pursuant to Section 9.3.1(a) above. If at any time there shall be more than 697 APPROVED HOMES, the FOUNDING MEMBERS shall be entitled to a number of votes computed by multiplying the number of APPROVED HOMES by 1.6 (one and six-tenths) and subtracting from the product the number of votes equal to the total number of votes to which all ACTIVE MEMBERS are then entitled pursuant to Section 9.3.1(a) above.

(iv) In the event there shall be more than one FOUNDING MEMBER, the votes attributable to the FOUNDING MEMBERS as a group shall be divided among the FOUNDING MEMBERS as they shall by written instrument reasonably agree among themselves or as may be provided for by the document designating a SUCCESSOR DECLARANT and granting such SUCCESSOR DECLARANT the right to be a FOUNDING MEMBER.

(v) A FOUNDING MEMBER may, by one or more acknowledged supplements to THIS DECLARATION recorded with the Recorder of Deeds of Monroe County, limit its privileges and prerogatives as a FOUNDING MEMBER or provide that all or specific privileges or prerogatives it enjoys as a FOUNDING MEMBER shall terminate or be limited in a specific manner upon the happening of a specified event, upon a period of time elapsing after the happening of a specified event or as of a specified date. A FOUNDING MEMBER may reserve the right to amend any such supplement in a specified manner; otherwise, such supplement shall be irrevocable and not subject to further amendment.

9.3.2 Conversion of FOUNDING MEMBERSHIPS.

(a) If, on the first day of the fourth month after the first date on which a total of 600 LOTS have been conveyed to persons other than DECLARANT or SUCCESSOR DECLARANTS, neither DECLARANT nor any SUCCESSOR DECLARANTS owns any lands located within the ADDITIONAL PROPERTIES, all FOUNDING MEMBERSHIPS shall cease and be converted to ACTIVE MEMBERSHIPS.

(b) If, on the first date that a total of 600 LOTS have been conveyed to persons other than DECLARANT or SUCCESSOR DECLARANTS, DECLARANT or any SUCCESSOR DECLARANT own any lands located within the ADDITIONAL PROPERTIES, then, in such event, all FOUNDING MEMBERSHIPS shall cease and be converted to ACTIVE MEMBERSHIPS four (4) months after the first date thereafter on which neither DECLARANT nor any SUCCESSOR DECLARANTS owns any lands within the ADDITIONAL PROPERTY.

(c) Notwithstanding the foregoing provisions of this Section 9.3.2, FOUNDING MEMBERSHIPS may be converted to ACTIVE MEMBERSHIPS at any time when, in their sole discretion, FOUNDING MEMBERS holding eighty (80%) percent of all votes held by the FOUNDING MEMBERS so determine by a RECORDED DOCUMENT.

9.3.3 Votes of Joint and Multiple OWNERS.

The vote or votes for each LOT must be cast as a single vote. Fractional votes shall not be allowed. In the event that more than one person shall at any time be the OWNER of any LOT, all such

persons shall constitute a single member and the vote for such LOT shall be exercised as such persons among themselves shall determine. In no event shall more than one ACTIVE MEMBER vote be cast with respect to any LOT. In the event that joint or multiple OWNERS are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any OWNER or OWNERS cast a vote representing a certain LOT without objection then made by any OWNER of the same LOT, it will thereafter be conclusively presumed for all purposes that the OWNER or OWNERS so casting such vote were acting with the authority and consent of all other OWNERS of the same LOT. In the event more than one vote is cast for a particular LOT, none of said votes shall be counted and said votes shall be deemed void.

9.4. Duties of the UTILITIES ASSOCIATION. The UTILITIES ASSOCIATION shall, in addition to such obligations, duties and functions as are assigned to it by other provisions of THIS DECLARATION, have the following obligations, duties and functions (subject to the provisions of THIS DECLARATION), for the benefit of the OWNERS and for the maintenance, administration and improvement of the BLUE MOUNTAIN LAKE PROPERTIES:

9.4.1 Sewage Collection and Disposal Service.

(a) The UTILITIES ASSOCIATION shall acquire and construct or shall cause others to acquire and construct the SEWER SYSTEM for the purpose of providing sanitary sewage collection and disposal service to all LOTS within the BLUE MOUNTAIN LAKE PROPERTIES.

(b) The UTILITIES ASSOCIATION shall operate, maintain and use or cause others to operate, maintain and use the SEWER SYSTEM for the benefit of OWNERS in accordance with sound utility management practices and shall pay or make provision for payment of all costs thereof as provided herein.

9.4.2 Water Supply Service.

(a) The UTILITIES ASSOCIATION shall acquire and construct, or shall cause others to acquire and construct, the WATER SYSTEM for the purpose of providing public water supply service to all LOTS within the BLUE MOUNTAIN LAKE PROPERTIES.

(b) The UTILITIES ASSOCIATION shall operate and maintain and use, or cause others to operate, maintain and use, the WATER SYSTEM for the benefit of OWNERS in accordance with sound utility management practices and shall pay or make provision for payment of all costs thereof as provided herein.

9.4.3 Extension of Water Supply and Sewage Disposal Service to ANNEXED LANDS.

(a) The UTILITIES ASSOCIATION shall extend the WATER SYSTEM and the SEWER SYSTEM as shall be required to provide public water supply and sanitary sewage collection and disposal service to all LOTS annexed and made a part of the BLUE MOUNTAIN LAKE PROPERTIES pursuant to Article II of THIS DECLARATION as provided by and subject to the requirements of any SUPPLEMENTARY DECLARATION with respect to the real property annexed.

(b) The UTILITIES ASSOCIATION shall accept all OWNERS of LOTS within any ANNEXED LANDS as members of the UTILITIES ASSOCIATION, subject to the membership requirements set forth in THIS DECLARATION and in the BYLAWS, and any SUPPLEMENTARY DECLARATION.

9.4.4 ADDITIONAL SERVICE AREAS.

(a) The UTILITIES ASSOCIATION shall extend the SEWER SYSTEM and the WATER SYSTEM to provide service to parcels of real property, not included within the BLUE MOUNTAIN LAKE PROPERTIES (the ADDITIONAL SERVICE AREAS), upon the recording of an acknowledged supplement to THIS DECLARATION, executed by the DECLARANT and by the UTILITIES ASSOCIATION, which action shall be authorized and approved by two-thirds of the total votes entitled to be cast by all members of the UTILITIES ASSOCIATION conducted in accordance with the UTILITIES ASSOCIATION BYLAWS.

(b) The ADDITIONAL SERVICE AREAS shall be limited to properties adjacent to or within a distance from the BLUE MOUNTAIN LAKE PROPERTIES, as shall be considered feasible for extension of the WATER SYSTEM and SEWER SYSTEM as evidenced by certificate of the consulting engineer of the UTILITIES ASSOCIATION.

(c) The UTILITIES ASSOCIATION shall extend the WATER SYSTEM and the SEWER SYSTEM to such ADDITIONAL SERVICE AREAS only upon satisfaction of the following conditions: (i) that all necessary approvals with respect to such extension have been obtained from any and all applicable governmental agencies or authorities; (ii) that the UTILITIES ASSOCIATION's consulting engineer has certified that the WATER SYSTEM and the SEWER SYSTEM have or will have sufficient capacity to provide service to such ADDITIONAL SERVICE AREAS, in addition to the present and future service requirements of the BLUE MOUNTAIN LAKE PROPERTIES, including adequate reserve capacity, and (iii) that all holders of legal title to those parcels of real property within the ADDITIONAL SERVICE AREAS shall execute the acknowledged Supplement to THIS DECLARATION declaring that such titleholders, their heirs, successors and assigns shall be subject to the provisions of Article IX of THIS DECLARATION with respect to the provision of UTILITY SERVICE upon the recording of such supplement to THIS DECLARATION, and that all parcels of real property within the ADDITIONAL SERVICE AREAS shall be subject to the provisions of Article IX of THIS DECLARATION, to the extent that the OWNERS of such properties shall be considered ACTIVE MEMBERS of the UTILITIES ASSOCIATION; Provided however, that such OWNERS of properties within such ADDITIONAL SERVICE AREAS shall not be considered OWNERS as to any portion of the BLUE MOUNTAIN LAKE PROPERTIES, or as members of the ASSOCIATION, and shall have no rights with respect thereto.

9.4.5 Other UTILITY SERVICES. The UTILITIES ASSOCIATION may, upon approval of the DECLARANT, the ASSOCIATION BOARD, and the UTILITIES ASSOCIATION BOARD, establish, acquire, construct, operate and manage UTILITY SYSTEMS, other than the WATER SYSTEM and SEWER SYSTEM, for the purpose of providing UTILITY SERVICE to all OWNERS within the BLUE MOUNTAIN LAKE PROPERTIES and any ADDITIONAL SERVICE AREAS as authorized under Section 9.4.4 hereof. The UTILITIES ASSOCIATION shall operate and maintain any such UTILITY SYSTEMS in accordance with sound utility management practices and shall pay or make provision for payment of all costs thereof, as provided herein. Any such UTILITY SERVICE provided by the UTILITIES ASSOCIATION shall be made available or offered to all members of the UTILITIES ASSOCIATION, upon reasonable terms and conditions.

9.4.6 Books and Accounts; Annual Budgets. The UTILITIES ASSOCIATION shall maintain separate books and accounts for each of the WATER SYSTEM, SEWER SYSTEM and such other UTILITY SYSTEMS as shall be authorized hereunder in accordance with generally accepted accounting principles. Each year, the UTILITIES ASSOCIATION shall prepare an operating budget for each of the WATER SYSTEM, SEWER SYSTEM and any other UTILITY SYSTEMS authorized hereby, setting forth anticipated revenues from UTILITIES ASSESSMENTS, other revenues, anticipated operation and maintenance expenses, anticipated administrative expenses and other costs related to the UTILITY SYSTEMS, including reasonable reserves for depreciation and other reserves considered reasonable or necessary under sound utility management and accounting practices.

9.4.7 Rule Making. The UTILITIES ASSOCIATION shall make, establish, promulgate and repeal rules and regulations as provided by Section 9.6 of THIS DECLARATION.

9.4.8 Execution of Mortgagee Protective Agreement. Upon being directed to do so by DECLARANT or SUCCESSOR DECLARANT during the DECLARANT CONTROL PERIOD and subject to limitations contained in any CLUSTER DECLARATION insofar as any such action shall relate to real estate subject to such CLUSTER DECLARATION, the UTILITIES ASSOCIATION shall execute and cause to be recorded from time to time written agreements in favor of holders or insurers of mortgages secured upon portions of the BLUE MOUNTAIN LAKE PROPERTIES conditioning specified actions of the UTILITIES ASSOCIATION upon specified mortgagee approval, permitting such mortgagees or insurers to take certain actions upon the failure of the UTILITIES ASSOCIATION to take specified action, or conforming the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS to the requirements of such mortgagees or insurers, provided that any such agreements do not contravene the requirements of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS or any applicable law.

9.4.9 Availability of Documents. The UTILITIES ASSOCIATION shall make available for inspection, upon request, during normal business hours or under other reasonable circumstances, to OWNERS, lenders, and holders, insurers and guarantors of a first mortgage on any LOT current copies of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS, and the books, records and financial statements of the UTILITIES ASSOCIATION.

Section 9.5. Powers and Authority of the UTILITIES ASSOCIATION.

The UTILITIES ASSOCIATION shall have all of the powers of a non-profit corporation organized under the Nonprofit Corporation Law of the Commonwealth of Pennsylvania, subject only to such limitations upon the exercise of such powers as are expressly set forth in the UTILITIES ASSOCIATION ARTICLES, the UTILITIES ASSOCIATION BY-LAWS, THIS DECLARATION or with respect to such LOTS by any SUPPLEMENTARY DECLARATION annexing such LOTS. The UTILITIES ASSOCIATION shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the UTILITIES ASSOCIATION under THIS DECLARATION, the UTILITIES ASSOCIATION ARTICLES, the UTILITIES ASSOCIATION BY-LAWS and the UTILITIES ASSOCIATION RULES, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the UTILITIES ASSOCIATION, including the following which are listed without intent to limit the foregoing articulation:

9.5.1 UTILITIES ASSESSMENTS. To levy UTILITIES ASSESSMENTS on the OWNERS

of LOTS as provided in Section 9.11 below, and to enforce payment of such UTILITIES ASSESSMENTS, all in accordance with the provisions of THIS DECLARATION.

9.5.2 Right of Enforcement. To take such action, whether or not expressly authorized in THIS DECLARATION or in any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS, as the UTILITIES BOARD may reasonably determine appropriate, to enforce or effectuate any of the restrictions, limitations, covenants, affirmative obligations, conditions and other provisions of THIS DECLARATION, the UTILITIES ASSOCIATION RULES and of any other UTILITIES ASSOCIATION DOCUMENTS. The UTILITIES ASSOCIATION may, in its own name, on its own behalf or on behalf of any OWNER or OWNERS who consent thereto, commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of THIS DECLARATION, the UTILITIES ASSOCIATION RULES or any UTILITIES ASSOCIATION DOCUMENTS and enforce, by mandatory injunction or otherwise, all of the provisions thereof; Provided however, that the UTILITIES ASSOCIATION shall not interfere with and shall take all action necessary to cooperate with the ASSOCIATION in connection with the performance of the ASSOCIATION's duties and responsibilities under any BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

9.5.3 Easements and Rights-of-Way. To obtain and use any permits, licenses and easements and rights-of-way in, on, over or under the BLUE MOUNTAIN LAKE PROPERTIES as designated or recorded on the plats thereof for the purposes of constructing, erecting, operating or maintaining thereon, therein or thereunder (1) the SEWER SYSTEM and the WATER SYSTEM; (2) any other UTILITY SYSTEMS as shall be authorized hereunder.

9.5.4 Employment of MANAGER. To employ the services of any person or entity as MANAGER to manage, conduct and perform the business, obligations and duties of the UTILITIES ASSOCIATION as may be directed by the UTILITIES ASSOCIATION BOARD. The UTILITIES ASSOCIATION shall have the right to enter into contracts for such purpose. Any agreement for professional management of any of the UTILITY SYSTEMS may not exceed three (3) years and any such agreement must provide for termination by either party, without cause, and without payment of any termination fee or other penalty, upon not more than ninety (90) days' advance written notice.

9.5.5 Mortgages Protective Agreements. Subject to such limitations, if any, as shall be contained in individual CLUSTER DECLARATIONS insofar as applicable to the real estate subject to such CLUSTER DECLARATIONS, to execute and cause to be recorded from time to time agreements in favor of holders or insurers of mortgages secured upon portions of the BLUE MOUNTAIN LAKE PROPERTIES in the manner and for the same purposes specified in Subsection 3.5.5 hereof.

9.5.6 Right of Entry. (a) Without liability to any OWNER of any LOT, to cause its agents, independent contractors, and employees after reasonable notice to enter upon any LOT for the purpose of enforcing provisions of THIS DECLARATION or the UTILITIES ASSOCIATION RULES, or for the purpose of maintaining and repairing any portion of the UTILITY SYSTEMS, or any connections thereto, including facilities required to be provided and maintained by an OWNER, if for any reason whatsoever the OWNER thereof fails to maintain such facilities in good condition and repair or as required by the UTILITIES ASSOCIATION RULES.

9.5.7 Maintenance and Repair Contracts. To contract and pay for, or otherwise provide for, the maintenance, replacement, restoration and repair of any UTILITY SYSTEM facilities.

9.5.8 Insurance. To obtain, maintain and pay for such insurance policies or bonds, whether or not required by any provision of THIS DECLARATION, or any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT, as the UTILITIES ASSOCIATION shall deem to be appropriate for the protection or benefit of the UTILITIES ASSOCIATION, the members of the UTILITIES ASSOCIATION BOARD, and other UTILITIES ASSOCIATION officers or agents. Such coverage shall include (without limiting the generality of the foregoing) fire and extended coverage insurance covering the UTILITY SYSTEMS, liability insurance, war risk insurance, boiler insurance, workmen's compensation insurance, malicious mischief insurance, automobile non-ownership insurance, and performance and fidelity bonds.

9.5.9 Professional Services. To contract and pay for, or otherwise provide for, the services of architects, engineers, attorneys and certified public accountants and such other professional and non-professional services as the UTILITIES ASSOCIATION deems necessary.

9.5.10 Protective Services. To contract and pay for, or otherwise provide for, fire prevention, and such other protective services as the UTILITIES ASSOCIATION shall from time to time deem appropriate for the benefit of the UTILITY SYSTEMS, and their users.

9.5.11 General Contracts. To contract and pay for, or otherwise provide for, such materials, supplies, furniture, equipment and labor as and to the extent the UTILITIES ASSOCIATION BOARD deems necessary.

9.5.12 Liens. To pay and to discharge any and all liens from time to time placed or imposed upon any UTILITY SYSTEMS or on account of any work done or performed by the UTILITIES ASSOCIATION or on or in its behalf in the fulfillment of any of its obligations and duties of maintenance, repair, operation or administration.

9.5.13 Employees. To employ, contract and pay for the services of any persons or entities as employees, agents or independent contractors to manage, conduct and perform the business, obligations and duties of the UTILITIES ASSOCIATION as may be directed by the UTILITIES ASSOCIATION BOARD.

9.5.14 Borrowings. To borrow funds for the purposes of the UTILITIES ASSOCIATION and for exercising its powers and carrying out its duties under THIS DECLARATION. Principal and interest on any obligations for borrowings shall be paid by the UTILITIES ASSOCIATION out of revenues from UTILITIES ASSESSMENTS imposed in connection with the UTILITY SERVICE or UTILITY SYSTEMS for which the borrowing was incurred. The UTILITIES ASSOCIATION may assign its right to future income or revenues including the right to receive UTILITIES ASSESSMENTS or any portions thereof, as security for such borrowings.

9.5.15 Litigation and Other Proceedings. Institute, defend, or intervene in litigation, or administrative proceedings in its own name or on behalf of itself in matters affecting any portion of the UTILITY SYSTEMS or the UTILITIES ASSOCIATION provided that it may do so during the DECLARANT CONTROL PERIOD only with the specific approval of the DECLARANT.

9.5.16 Late Charges, Fines and DEFAULT ASSESSMENTS. Impose charges for late payment of UTILITIES ASSESSMENTS and, after notice and opportunity to be heard, impose reasonable

finer for violation of THIS DECLARATION, the UTILITIES ASSOCIATION BY-LAWS, and the UTILITIES ASSOCIATION RULES.

9.5.17 Indemnification. Provide for indemnification of its officers and members of the UTILITIES ASSOCIATION BOARD and maintain directors' and officers' liability insurance.

9.5.18 Power to Provide UTILITY SERVICE Exclusive. The UTILITIES ASSOCIATION shall have the exclusive power and authority to provide sanitary sewage collection and disposal service by use of the SEWER SYSTEM and public water supply service by use of the WATER SYSTEM, and such other UTILITY SERVICE as shall be authorized pursuant to the provisions hereof within the BLUE MOUNTAIN LAKE PROPERTIES and any ADDITIONAL SERVICE AREAS as are authorized under Section 9.4.4 below. No other person, company, corporation or other entity shall be permitted to provide any UTILITY SERVICE within the BLUE MOUNTAIN LAKE PROPERTIES or within any ADDITIONAL SERVICE AREAS authorized pursuant to Section 9.4.4 below without the consent and authorization of the UTILITIES ASSOCIATION. The exclusive power and authority of the UTILITIES ASSOCIATION to provide UTILITY SERVICE shall be subject to the provisions of Section 9.14 hereof relative to the power and authority of the UTILITIES ASSOCIATION to sell or transfer any UTILITY SYSTEM; in connection with any such sale or transfer the UTILITIES ASSOCIATION may transfer or assign its power and authority to provide any such UTILITY SERVICE.

9.5.19 Other Powers. To exercise any other power which exclusively promotes the improvement, operation and maintenance of the SEWER SYSTEM and the WATER SYSTEM, and any other UTILITY SYSTEM authorized pursuant to the provisions hereof.

Section 9.6 THE UTILITIES ASSOCIATION RULES

9.6.1 From time to time, the UTILITIES ASSOCIATION shall, by majority vote of the UTILITIES ASSOCIATION BOARD, adopt, amend and repeal such rules and regulations as it deems reasonable. These rules and regulations may include administrative and policy resolutions. Until the expiration of the ANNEXATION PERIOD, any action of the UTILITIES ASSOCIATION BOARD pursuant to this Section 9.6.1 shall be effective only upon being approved in writing by DECLARANT.

9.6.2 The UTILITIES ASSOCIATION shall make, establish, promulgate, repeal and enforce rules and regulations applicable to use and enjoyment of the UTILITY SYSTEMS. The rules and regulations adopted by the UTILITIES ASSOCIATION shall not unreasonably discriminate among OWNERS or among users of the applicable UTILITY SYSTEMS and shall not be inconsistent with THIS DECLARATION or any of the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS.

9.6.3 The UTILITIES ASSOCIATION shall adopt and enforce rules and regulations providing for the terms and conditions applicable to service connections to the SEWER SYSTEM and WATER SYSTEM. Such rules and regulations shall provide the facilities, sewer main or water main as applicable, to be made available to each OWNER's LOT and the manner and location of connection thereto by such OWNER for service to his LOT. Such rules and regulations also shall specify the facilities to be provided by the OWNER in regard to connection to the WATER SYSTEM and SEWER SYSTEM or any other UTILITY SYSTEM and shall provide that such facilities shall be provided, operated and

maintained by the OWNER of such LOT in accordance with specifications of the UTILITIES ASSOCIATION as provided in such rules and regulations. The UTILITIES ASSOCIATION may delegate its review and enforcement duties with respect to facilities to be provided by an OWNER in regard to connection to any UTILITY SYSTEM to the DESIGN REVIEW COMMITTEE and the UTILITIES ASSOCIATION may authorize the DESIGN REVIEW COMMITTEE to issue an estoppel certificate pursuant to Section 5.6 hereof on its behalf in regard to facilities to be provided by an OWNER for connection to any UTILITY SYSTEM.

9.6.4 The UTILITIES ASSOCIATION shall adopt rules and regulations providing for the terms and conditions, including adequate written notice, for termination or discontinuance of UTILITY SERVICE to any LOT or HOME, in the event such OWNER is delinquent with respect to the payment of any UTILITIES ASSESSMENT, or if such OWNER otherwise is in violation of any of the UTILITY ASSOCIATION RULES.

9.6.5 Use and enjoyment of the UTILITY SYSTEMS by OWNERS shall be subject to the UTILITIES ASSOCIATION RULES. Reasonable limitations upon UTILITY SERVICE including regulation of excessive use, emergency curtailment provisions and similar service limitations shall be provided for in the UTILITIES ASSOCIATION RULES.

9.6.6 The UTILITIES ASSOCIATION, pursuant to the UTILITIES ASSOCIATION RULES, may prohibit or may require special permits for, or may impose special UTILITIES ASSESSMENTS for the extraordinary use of any UTILITY SERVICE and may adopt such other UTILITIES ASSOCIATION RULES as may be necessary to regulate use of any UTILITY SYSTEM by an OWNER or OWNERS, including authorizing or requiring the installation of meters, of a type specified by the UTILITIES ASSOCIATION and at OWNER'S expense, with respect to any connection to any LOT to measure usage by the OWNER thereof.

9.6.7 The UTILITIES ASSOCIATION, pursuant to the UTILITIES ASSOCIATION RULES, shall specify the type, location and manner of installation of grinder pumps for the SEWER SYSTEM which pumps shall be installed at the OWNER'S expense at the time of connection to the SEWER SYSTEM.

9.6.8 The UTILITIES ASSOCIATION RULES shall provide that no tampering with, modification or alteration of any UTILITY SYSTEM shall be permitted without the approval of the UTILITIES ASSOCIATION.

9.6.9 The UTILITIES ASSOCIATION RULES may provide for seasonal termination of service by an OWNER, specify reconnection charges, and regulate the winterization or other protective measures applicable to facilities of the OWNER for the purpose of protecting any UTILITY SYSTEM.

9.6.10 A copy of the UTILITIES ASSOCIATION RULES, as they may from time to time be adopted, amended, or repealed, shall be mailed or otherwise delivered to each OWNER.

9.6.11 The UTILITIES ASSOCIATION RULES may provide for suspension or limitation of the voting rights of any ACTIVE MEMBER so long as such ACTIVE MEMBER shall be delinquent in paying any UTILITIES ASSESSMENT that is not at such time the subject matter of a bonafide good faith contest by such ACTIVE MEMBER.

9.6.12 In the event of any conflict between any such UTILITIES ASSOCIATION RULES

and any of the other provisions of THIS DECLARATION, or the UTILITIES ASSOCIATION ARTICLES or the UTILITIES ASSOCIATION BY-LAWS, the provisions of such UTILITIES ASSOCIATION RULES shall be deemed to be superseded by the provisions of THIS DECLARATION, the UTILITIES ASSOCIATION ARTICLES or the UTILITIES ASSOCIATION BY-LAWS to the extent of such inconsistency.

Section 9.7. No Personal Liability. No member of the UTILITIES ASSOCIATION BOARD or of any committee of the UTILITIES ASSOCIATION, or any officer of the UTILITIES ASSOCIATION, or the DECLARANT, or any SUCCESSOR DECLARANT, or the MANAGER, if any, or any other representative or employee of any of the foregoing shall be personally liable to any OWNER, or to any other party, including the UTILITIES ASSOCIATION, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence (including gross negligence) of any such person, provided that such person has, upon the basis of such information, as may be possessed by him, acted in good faith, without wilful or intentional misconduct.

Section 9.8. Exercise of UTILITIES ASSOCIATION powers by UTILITIES ASSOCIATION BOARD. The UTILITIES ASSOCIATION BOARD itself, or through the UTILITIES ASSOCIATION'S employees, officers, agents or other persons designated by the UTILITIES ASSOCIATION BOARD for such purpose, shall exercise for and on behalf of the UTILITIES ASSOCIATION, all powers, duties and authority vested in or delegated to the UTILITIES ASSOCIATION and not otherwise requiring the consent or approval of the members of the UTILITIES ASSOCIATION, or a portion or percentage thereof by other provisions of THIS DECLARATION, the UTILITIES ASSOCIATION ARTICLES or the UTILITIES ASSOCIATION BY-LAWS.

Section 9.9. Limitations of Application of Certain Actions.

9.9.1 Notwithstanding anything to the contrary provided in THIS DECLARATION, neither DECLARANT nor any SUCCESSOR DECLARANT shall, until the expiration of the ANNEXATION PERIOD, be subject to, or bound by, any action, rules or regulations taken or adopted by the UTILITIES ASSOCIATION BOARD, the UTILITIES ASSOCIATION or any body of the UTILITIES ASSOCIATION unless and until DECLARANT (or a SUCCESSOR DECLARANT) expressly agrees, in writing, to be subject to or bound by such action, rules or regulations.

9.9.2 Until DECLARANT or any SUCCESSOR DECLARANT have completed and sold or leased all of the LOTS and HOMES permitted to be constructed, sold, leased or erected by it under the then applicable zoning and subdivision laws and ordinances affecting the BLUE MOUNTAIN LAKE PROPERTIES, neither the UTILITIES ASSOCIATION, the UTILITIES ASSOCIATION BOARD nor any other body or agency of the UTILITIES ASSOCIATION, shall interfere with any land improvement, subdivision, construction, sale or leasing activities of DECLARANT or any SUCCESSOR DECLARANT on any portion of the BLUE MOUNTAIN LAKE PROPERTIES or on any portion of the ADDITIONAL PROPERTY.

Section 9.10. UTILITIES ASSOCIATION BY-LAWS.

9.10.1 The UTILITIES ASSOCIATION may, by a majority vote of the UTILITIES ASSOCIATION BOARD, adopt such UTILITIES ASSOCIATION BY-LAWS as it deems reasonable. The UTILITIES ASSOCIATION BY-LAWS may be amended as therein provided.

9.10.2 The UTILITIES ASSOCIATION BY-LAWS may not discriminate among OWNERS and shall not be inconsistent with THIS DECLARATION or the UTILITIES ASSOCIATION ARTICLES.

9.10.3 A copy of the UTILITIES ASSOCIATION BY-LAWS as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each OWNER.

9.10.4 In the event of any conflict between any such UTILITIES ASSOCIATION BY-LAWS and any of the other provisions of THIS DECLARATION, any SUPPLEMENTARY DECLARATION or CLUSTER DECLARATION, or the UTILITIES ASSOCIATION ARTICLES, the provisions of the UTILITIES ASSOCIATION BY-LAWS shall be deemed to be superseded by the provisions of THIS DECLARATION, any SUPPLEMENTARY DECLARATION or CLUSTER DECLARATION, and the UTILITIES ASSOCIATION ARTICLES to the extent of such inconsistency. To the extent the UTILITIES ASSOCIATION BY-LAWS are not inconsistent with THIS DECLARATION, any SUPPLEMENTARY DECLARATION or CLUSTER DECLARATION, and the UTILITIES ASSOCIATION ARTICLES, the UTILITIES ASSOCIATION BY-LAWS shall govern any matter covered by such UTILITIES ASSOCIATION BY-LAWS, including, but not limited to, UTILITIES ASSESSMENTS, enforcement of collection of UTILITIES ASSESSMENTS, governance of the UTILITIES ASSOCIATION, and other rights and obligations under THIS DECLARATION and the UTILITIES ASSOCIATION DOCUMENTS.

Section 9.11. Covenant for UTILITIES ASSESSMENTS - Creation of the Lien and Personal Obligation for UTILITIES ASSESSMENTS.

9.11.1 Subject to the provisions of THIS DECLARATION and with the intention of benefiting the BLUE MOUNTAIN LAKE PROPERTIES and all portions thereof, including each LOT and all real estate that may be annexed to the scheme of THIS DECLARATION, DECLARANT covenants that it and its successors and assigns, as the OWNERS of one or more LOTS, will pay to the UTILITIES ASSOCIATION each of the following UTILITIES ASSESSMENTS for each LOT owned by such OWNER with respect to the period of such ownership:

- (1) Utilities General Assessments;
- (2) Utilities Default Assessments assessed pursuant to Section 9.11.9

below; and

(3) Any fines, interest and penalties imposed by the UTILITIES ASSOCIATION pursuant to THIS DECLARATION or any UTILITIES ASSOCIATION DOCUMENT.

9.11.2(a) Each OWNER, upon becoming an OWNER and whether or not so expressed in any deed, or other document conveying or assigning an interest in the OWNER'S LOT, shall be deemed to covenant and agree to pay to the UTILITIES ASSOCIATION the ASSESSMENTS referred to in Section 9.11.1 above with respect to the period of ownership of such LOT by such OWNER.

(b) Neither DECLARANT nor any other OWNER shall be liable for the payment of any UTILITIES ASSESSMENT with respect to a LOT arising subsequent to the date the DECLARANT or OWNER ceases to be the OWNER of such LOT.

9.11.3 The UTILITIES ASSESSMENTS, together with interest thereon, costs of collection thereof, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon

the LOT against which each such UTILITIES ASSESSMENT is made from the date due until paid. Notwithstanding any sale or other transfer of such LOT, such lien shall (together with all proper costs, reasonable attorneys' fees and interest) continue to constitute a charge against such LOT until paid in full.

9.11.4 Each such UTILITIES ASSESSMENT, together with such interest, costs and reasonable attorneys' fees, shall also be the personal obligation of each person, firm or entity that is an OWNER of such LOT at the time such UTILITIES ASSESSMENTS become due. This personal obligation for delinquent UTILITIES ASSESSMENTS shall not pass to an OWNER's successors in title unless expressly assumed by such successor. No such assumption by a successor shall relieve any person from the personal liability which arose pursuant to this Subsection 9.11.4 at the time such person was an OWNER. The provisions of this Subsection 9.11.4 shall not be construed to limit the application of subsection 9.11.3.

9.11.5 Utilities General Assessments. The UTILITIES ASSOCIATION shall levy and collect Utilities General Assessments in the form hereinafter provided and in amounts sufficient to provide revenues to pay all costs and obligations related to construction, acquisition, management, operation and maintenance of each of the UTILITY SYSTEMS, including reasonable reserves for (i) depreciation, (ii) replacement or retirement of UTILITY SYSTEM plant or facilities, (iii) uncollectible accounts and (iv) any other reserve accounts deemed advisable or necessary by the UTILITIES ASSOCIATION BOARD. Utilities General Assessments may include, but shall not be limited to, the following: (i) a 'connection charge' payable by an OWNER upon connection of such OWNER'S CONVEYED LOT to any UTILITY SYSTEM; (ii) an annual service charge to be billed and collected monthly, quarterly, semi-annually or annually, as determined by the UTILITY ASSOCIATION BOARD for service to any CONVEYED LOT connected to any UTILITY SYSTEM; (iii) an 'annual availability charge' to be billed and collected monthly, quarterly, semi-annually or annually, as determined by the UTILITIES ASSOCIATION BOARD, payable by the OWNER of any CONVEYED LOT not connected to, or served by, any UTILITY SYSTEM and to which such UTILITY SYSTEM has been extended and is available for connection or service; and (iv) 'capital assessments or charges' to pay costs of acquisition, construction, reconstruction or replacement of UTILITY SYSTEM plant or facilities which shall be assessed against OWNERS of CONVEYED LOTS benefited thereby. Utilities General Assessments shall be established at reasonable and uniform rates as determined exclusively by the UTILITIES ASSOCIATION BOARD within its sole discretion. Nothing contained herein shall prevent the UTILITIES ASSOCIATION BOARD from establishing reasonable classes of service, establishing different rates for such classes of service, including the fixing of Utilities General Assessments on the basis of flat rates, based upon equivalent dwelling units, or otherwise, or requiring the installation of meters and adopting metered rate schedules, or otherwise determining a reasonable rate structure applicable to any UTILITY SYSTEM as determined exclusively by it in its sole discretion.

9.11.6 Initial Utilities General Assessments - SEWER SYSTEM and WATER SYSTEM. The Initial Utilities General Assessments applicable to the SEWER SYSTEM and WATER SYSTEM to be effective until changed by action of the UTILITY ASSOCIATION BOARD as provided herein, shall be as follows:

(a) connection charges in the amount of \$1,200.00 per CONVEYED LOT with respect to the SEWER SYSTEM and \$800.00 per CONVEYED LOT with respect to the WATER SYSTEM; and

(b) annual charges in the following amounts:

(i) annual availability charges of \$200.00 per CONVEYED LOT with respect to the SEWER SYSTEM and \$200.00 per CONVEYED LOT with respect to the WATER SYSTEM; or

(ii) annual service charges of \$300.00 per CONVEYED LOT improved with a FULLY DEVELOPED HOME with respect to the SEWER SYSTEM and \$300.00 per CONVEYED LOT improved with a FULLY DEVELOPED HOME with respect to the WATER SYSTEM.

9.11.7 Utilities General Assessments - WATER SYSTEM and SEWER SYSTEM - Application of Proceeds.

(a) All receipts and revenues from connection charges applicable to the WATER SYSTEM and SEWER SYSTEM shall be held by the UTILITIES ASSOCIATION and applied towards payment of the costs of acquisition and construction of the WATER SYSTEM and SEWER SYSTEM, as applicable.

(b) All receipts and revenues from annual charges shall be applied by the UTILITIES ASSOCIATION to pay all costs of the WATER SYSTEM and SEWER SYSTEM, as applicable, without limitation.

9.11.8 Utilities General Assessments - WATER SYSTEM and SEWER SYSTEM. During the DECLARANT CONTROL PERIOD, any increase in the Initial Utilities General Assessments applicable to the WATER SYSTEM and SEWER SYSTEM as set forth in Subsection 9.11.6 hereof shall be limited to an amount equal to an adjustment pursuant to Section 8.22 hereof. Thereafter, the UTILITIES ASSOCIATION BOARD, shall fix and determine, at least annually, the Utilities General Assessments applicable to the WATER SYSTEM and SEWER SYSTEM in amounts necessary to meet the requirements of Subsection 9.11.5 hereof based upon the annual budgets adopted by the UTILITIES ASSOCIATION for the WATER SYSTEM and SEWER SYSTEM, as applicable.

9.11.9 Utilities Default Assessments. The UTILITIES ASSOCIATION may assess monetary fines against an OWNER pursuant to the UTILITY ASSOCIATION RULES; such fine and any expense of the UTILITIES ASSOCIATION which is the obligation of an OWNER or which is incurred by the UTILITIES ASSOCIATION on behalf of an OWNER pursuant to any UTILITIES ASSOCIATION DOCUMENT shall constitute a Utilities Default Assessment payable by such OWNER. Each Utilities Default Assessment shall become a lien against the LOT or LOTS of the OWNER against whom such utilities default assessment is assessed and may be enforced in the same manner as any other UTILITIES ASSESSMENT as provided herein.

9.12. Effect of Nonpayment of UTILITIES ASSESSMENTS, Charges and Fees; Remedies of the UTILITIES ASSOCIATION.

9.12.1 Covenant to pay UTILITIES ASSESSMENTS.

(a) Each OWNER on becoming an OWNER of any LOT shall be deemed to covenant and agree to the enforcement of all UTILITIES ASSESSMENTS, in the manner specified in THIS DECLARATION, any applicable SUPPLEMENTARY DECLARATION and any applicable CLUSTER DECLARATION or any of them.

(b) Each OWNER agrees to pay reasonable attorneys' fees and costs incurred in the collection of any UTILITIES ASSESSMENT, against such OWNER, whether by suit or otherwise, or in enforcing compliance with or specific performance of the terms and conditions of THIS DECLARATION and any other BLUE MOUNTAIN LAKE PROPERTY DOCUMENT as against such OWNER.

9.12.2 Nonpayment of UTILITIES ASSESSMENTS: Enforcement. The UTILITIES ASSOCIATION shall have the same power and authority and shall be subject to the same restrictions applicable to the collection of UTILITIES ASSESSMENTS and the filing and enforcement of liens therefor as provided herein for the collection and enforcement of liens with respect to ASSESSMENTS imposed by the ASSOCIATION. Without intending to limit the generality of the foregoing, the provisions of Sections 4.7, 4.8, 4.9, and 4.10 of THIS DECLARATION shall be applicable to the collection, and enforcement of liens for collection, of UTILITIES ASSESSMENTS by the UTILITIES ASSOCIATION in the same manner as applicable to collection of ASSESSMENTS and enforcement of liens imposed by the ASSOCIATION.

9.12.3 Priority of Liens for ASSESSMENTS and UTILITY ASSESSMENTS. In connection with the enforcement and foreclosure upon any liens filed for delinquent ASSESSMENTS and delinquent UTILITIES ASSESSMENTS, the priority between the lien for ASSESSMENTS and the lien for UTILITIES ASSESSMENTS with respect to the same LOT shall be based upon the due date of each such assessment with the earlier due date having the higher priority. In cases where the due date of the UTILITIES ASSESSMENT and the due date of the ASSESSMENT is the same, the priority of the liens shall be in pari passu.

9.13 Connection and Use of UTILITY SYSTEMS: Prohibition of Onsite Facilities.

9.13.1 Covenant to Use UTILITY SYSTEMS. Each OWNER on becoming an OWNER of any LOT shall be deemed to covenant and agree to connect to and to use exclusively, the SEWER SYSTEM and WATER SYSTEM and such other UTILITY SYSTEMS as shall be authorized by the UTILITIES ASSOCIATION pursuant to the provisions hereof.

9.13.2 Onsite Facilities. No onsite sewage disposal systems, wells, or other arrangements for the disposal of sanitary sewage or the development of an onsite water supply system by any OWNER on any LOT within the BLUE MOUNTAIN LAKE PROPERTIES shall be permitted. Any violation of this covenant may be enforced by the ASSOCIATION and the UTILITIES ASSOCIATION in the manner provided herein, and any OWNER of any LOT determined to be in violation of this covenant shall be subject to fines, costs and penalties as more specifically provided in the UTILITY ASSOCIATION RULES.

9.14. Transfer or Sale of any UTILITY SYSTEM. The UTILITIES ASSOCIATION may sell, transfer or lease any UTILITY SYSTEM to a third party, including the DECLARANT, upon approval by two-thirds of the total votes then entitled to be cast by members of the UTILITIES ASSOCIATION conducted in accordance with the UTILITIES ASSOCIATION BY-LAWS, subject however, to the following

conditions:

(a) The UTILITIES ASSOCIATION BOARD shall determine that the sale or transfer shall have no adverse effect upon the provision of service within the BLUE MOUNTAIN LAKE PROPERTIES by the UTILITY SYSTEM following the sale, transfer or lease; and

(b) During the DECLARANT CONTROL PERIOD, any sale, transfer or lease of any UTILITY SYSTEM shall be approved by the DECLARANT.

9.15. DECLARANT'S Obligation to Pay Expenses and UTILITIES ASSESSMENTS.

9.15.1 All expenses and costs incurred (on an accrual basis) in connection with the UTILITIES SYSTEMS shall be borne by DECLARANT until the ASSESSMENT COMMENCEMENT DATE.

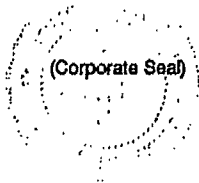
9.15.2 After the ASSESSMENT COMMENCEMENT DATE, all expenses and costs incurred in connection with the operation, maintenance and management of any UTILITY SYSTEM and the operation of the UTILITIES ASSOCIATION shall be borne by the UTILITIES ASSOCIATION through collection of UTILITIES ASSESSMENTS in accordance with this Article IX from all OWNERS, except that until the CONVERSION DATE a DECLARANT shall not be required to pay any UTILITIES ASSESSMENTS since in lieu thereof it is obligated to make the payments provided for by Section 9.15.3 below. After the CONVERSION DATE a DECLARANT shall not be required to pay UTILITIES ASSESSMENTS with respect to any UNDEVELOPED LOTS owned by it.

9.15.3 (a) Notwithstanding anything contained in THIS DECLARATION to the contrary, until the CONVERSION DATE, DECLARANT shall contribute such sums to the UTILITIES ASSOCIATION, in addition to that amount required pursuant to Section 9.15.1, in such sums as may be required to make up any shortfall provided for by the operating budget for any UTILITY SYSTEM adopted by the UTILITIES ASSOCIATION for each fiscal year of such UTILITY SYSTEM falling within a period of time commencing with the ASSESSMENT COMMENCEMENT DATE and ending upon the CONVERSION DATE, in accordance with the terms and conditions hereinafter set forth in this Section 9.15.

(b) The contributions for each fiscal year referred to in (a) above shall equal the amount by which the aggregate of such actual expenditures of the UTILITIES ASSOCIATION for such fiscal year shall exceed the aggregate amount of the UTILITIES ASSESSMENTS payable during such fiscal year, with respect to any UTILITY SYSTEM.

(c) In addition to the contributions required by Section 9.15.3(a), the DECLARANT may, upon request from the UTILITIES ASSOCIATION from time to time during the period of time commencing with the INITIAL CONVEYANCE DATE and ending upon the CONVERSION DATE, advance additional reasonable sums to the UTILITIES ASSOCIATION if necessary to provide the UTILITIES ASSOCIATION with temporary funds upon terms and conditions as shall be agreed upon by the parties and subject to repayment by the UTILITIES ASSOCIATION.

IN WITNESS WHEREOF, DECLARANT has caused this instrument to be executed as of the day
and year first above written.



BLUE MOUNTAIN LAKE ASSOCIATES, L.P.
By: BRUSHY MOUNTAIN COMPANY, LTD.
Its Managing General Partner

By: _____

President

Attest: _____

Assistant Secretary

BK1890PG1363

COMMONWEALTH OF PENNSYLVANIA

:
: SS.

COUNTY OF MONROE

On this, the 7th day of June, 1993, before me, the undersigned officer, personally appeared JOSEPH G. LUBECK who acknowledged himself to be the President of BRUSHY MOUNTAIN COMPANY, LTD., a Pennsylvania corporation which is the Managing General Partner of BLUE MOUNTAIN LAKE ASSOCIATES, L.P., the DECLARANT in the foregoing DECLARATION, and that he, as such President and being authorized to do so on behalf of the DECLARANT, executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself as President.

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

Marylene Churchill
Notary Public

My Commission Expires:



EXHIBIT "A"

Legal Description of INITIAL PROPERTY

ALL THOSE CERTAIN tracts, parcels and lots of land situate in Stroud Township, Monroe County, Pennsylvania known as PHASE 1, BLUE MOUNTAIN LAKE as shown on the plans therefor entitled "PHASE 1 - FINAL PLAN SITE PLAN BLUE MOUNTAIN LAKE A PLANNED UNIT DEVELOPMENT," dated March 18, 1991 and revised through February 1, 1993, approved by the Board of Supervisors of Stroud Township on March 17, 1993 and filed of record in the Office of the Recorder of Deeds of Monroe County Pennsylvania on May 11, 1993 in Plot Book Volume 65 at Pages 80, 81 and 82.

EXHIBIT "B"

LEGAL DESCRIPTION OF ADDITIONAL PROPERTY
WHICH MAY BE SUBJECTED TO THIS DECLARATION

ALL THAT CERTAIN tract, parcel and lot of land situate in Stroud Township, Monroe County, Pennsylvania containing 505.805 acres, more or less, less allowances for road rights of way of 8.007 acres for a net acreage total of 499.898 acres and known and designated as Lot 4 on that certain subdivision plan entitled 'SUBDIVISION OF LANDS OF SHAWNEE VILLAGE STORES, INC., HILDA HOPE, PRES., ESTATE OF KARL HOPE, HILDA HOPE, EXEC., HILDA HOPE' which plan is filed of record in the Office of the Recorder of Deeds of Monroe County Pennsylvania in Plot Book Volume 64 at Pages 64 and 65.

EXCEPTING AND RESERVING therefrom and thereout the INITIAL PROPERTY described in EXHIBIT "A" hereof.

EXHIBIT 'C'

LEGAL DESCRIPTION OF INITIAL PRD COMMON
AREA TO BE CONVEYED TO ASSOCIATION

ALL OF THE FOLLOWING DESCRIBED portions of the INITIAL PROPERTY:

1. All roads to the full width of the rights of way.
2. All lands within that portion of the INITIAL PROPERTY bounded on the easterly side by BRUSHY MOUNTAIN ROAD, on the southerly and westerly sides by POCAHONTAS ROAD, and on the north as follows:
 - a. to the east of ESCOLL DRIVE by the line lying northerly of the MANORHOME units designated as 21, 22 and 23 MEADOWSAGE COURT which line is labelled on the SITE PLANS referred to in EXHIBIT 'A' as 'LIMIT OF PHASE 1', and
 - b. to the west of ESCOLL DRIVE by the line lying northerly and westerly of the MANORHOME units designated as 1 through 8, inclusive, CABINSLADE COURT which line is labelled on the SITE PLANS referred to in EXHIBIT 'A' as 'LIMIT OF PHASE 1'which lands are not shown as being within the footprint of any MANORHOME unit and are not otherwise shown on any 'as built' plans for the INITIAL PROPERTY or otherwise as being within a MANORHOME unit or otherwise designated by the DECLARANT for purposes other than PRD COMMON AREA.
3. All that certain parcel of land designated on the SITE PLANS referred to in EXHIBIT 'A' as PEDESTRIAN R.O.W. lying and being between Lots 112 and 113 and between Lots 125 and 126 EASTSHORE COURT.
4. All lands within that portion of the INITIAL PROPERTY bounded on the westerly and southeasterly sides by SOUTHSORE MEADOWS, on the northerly side by the line lying northerly of the MANORHOME units designated as 1 through 6, inclusive, DOGWOOD COURT which line is labelled on the SITE PLANS referred to in EXHIBIT 'A' as 'LIMIT OF PHASE 1', and by the line lying southwesterly of the MANORHOME units designated as 7, 8 and 9 DOGWOOD COURT which line is labelled on the SITE PLANS referred to in EXHIBIT 'A' as 'LIMIT OF PHASE 1' which lands are not shown as being within the footprint of any MANORHOME unit and are not otherwise shown on any 'as built' plans for the INITIAL PROPERTY or otherwise as being within a MANORHOME unit or otherwise designated by the DECLARANT for purposes other than PRD COMMON AREA.

BK1890PG1367

EXHIBIT "D"
RESIDENTS' RELATIONS COMMITTEE RULES

1. Upon receipt of a written, signed complaint form (to be provided by the BOARD), the Chairman of the RESIDENTS' RELATIONS COMMITTEE shall present such complaint to the MANAGER, if any, of the ASSOCIATION who shall then attempt to informally resolve the dispute, in a fair and equitable manner.
2. If the MANAGER has not resolved the dispute to the complainant's satisfaction within seven (7) days thereafter, the RESIDENTS' RELATIONS COMMITTEE shall then give the alleged violator at least ten (10) days' notice of a hearing to be held to hear the charges of the complainant. Notice of the hearing date and time and the parties involved shall be publicly posted on the BLUE MOUNTAIN LAKE PROPERTIES. The hearing shall be held no more than thirty (30) days after the formal complaint has been filed with the RESIDENTS' RELATIONS COMMITTEE.
3. The hearing shall be conducted as an informal, quasi-judicial proceeding. All parties shall have the right to be represented by counsel, to call witnesses, to introduce documentary or other evidence, and to confront and cross-examine witnesses. Former rules of evidence shall not be used. Each party shall have the right to have the proceeding transcribed by court reporter, but the costs thereof shall be borne by the party requesting the transcription and shall be paid in advance.
4. In order to ensure an unbiased tribunal, no member of the RESIDENTS' RELATIONS COMMITTEE may sit and hear a case in which he or she has a personal relationship with either party to the proceeding or in which he or she is intimately involved in any other respect. If any member of the RESIDENTS' RELATIONS COMMITTEE shall excuse himself or herself, or otherwise be unavailable, the BOARD shall appoint another disinterested ACTIVE MEMBER to temporarily sit in his or her stead with respect to such matter.
5. After a full hearing on the dispute, the RESIDENTS' RELATIONS COMMITTEE shall make a written report to the BOARD and to recommend sanctions if a violation has been found. Sanctions may range from a reprimand to a fine of up to \$500.00.
6. Within ten (10) days after receipt of the RESIDENTS' RELATIONS COMMITTEE report, the BOARD shall ratify the RESIDENTS' RELATIONS COMMITTEE decision, unless the BOARD finds that its decision is unsupported by the evidence or constitutes a manifest abuse of discretion. If ratified, the BOARD shall not be bound by the recommended sanction.
7. An aggrieved OWNER, NOTICED MORTGAGEE, member or other aggrieved party must first exhaust his or her internal remedies with the RESIDENTS' RELATIONS COMMITTEE and the BOARD before he or she may seek redress in a court of law or equity.
8. Any fine levied against an OWNER pursuant hereto shall be treated as a lien against the HOME or LOT of said OWNER in accordance with the provisions of this DECLARATION.
9. The MANAGER shall have the right, unless otherwise directed by the BOARD, to file a complaint pursuant to the provisions hereof.
10. Nothing herein contained shall require the BOARD or any member thereof or the MANAGER to file a complaint under these rules and regulations in order to enforce any of the ASSOCIATION RULES or to impose or collect any fine or penalty established under the BLUE MOUNTAIN LAKE PROPERTY DOCUMENTS for any violation of any ASSOCIATION RULES.