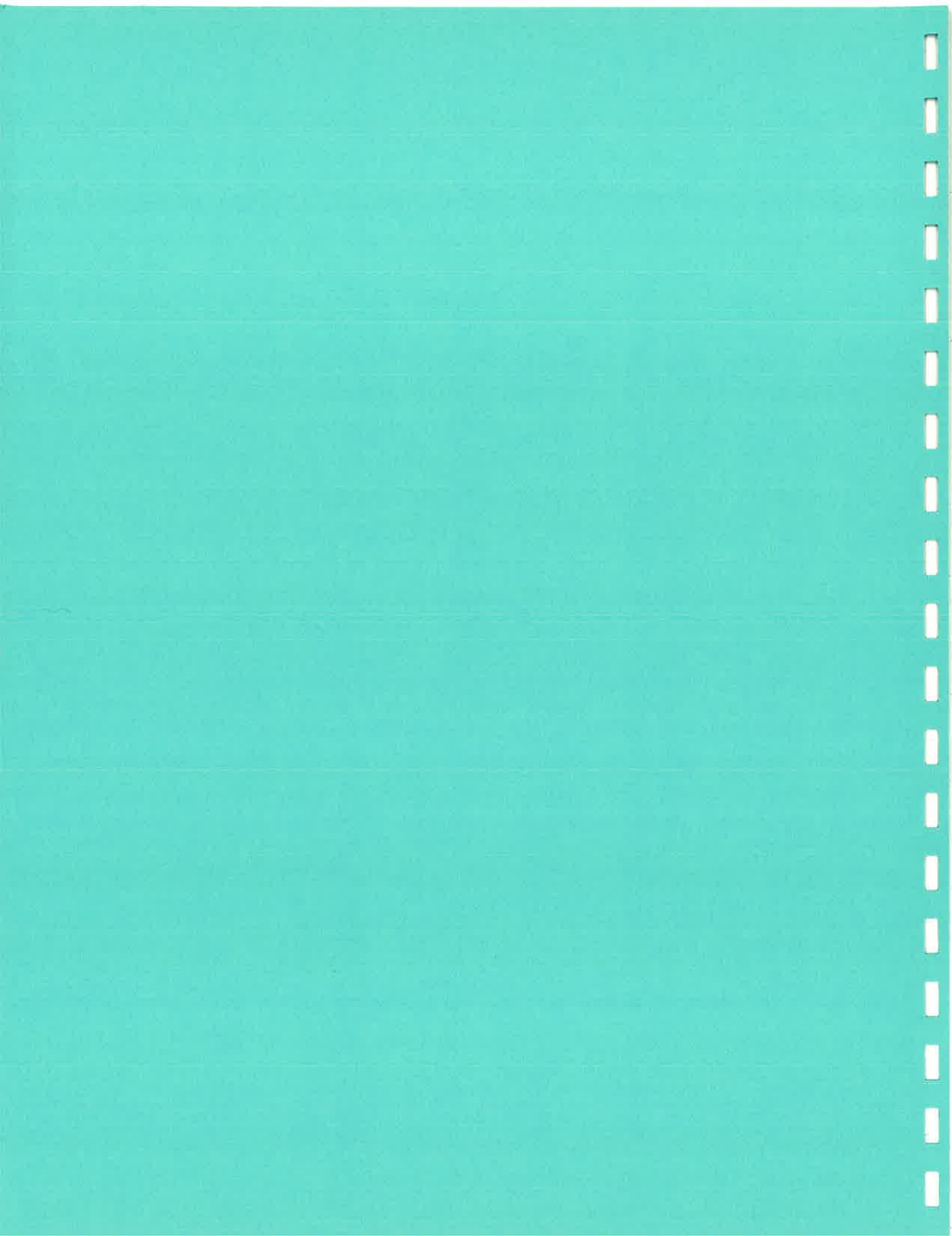


*The Hedges
Homeowners
Association, Inc.*

**GOVERNING
DOCUMENTS**



**Amendment to the Declaration of Covenants,
Easements and Restrictions ("Declaration")
and By-Laws of the Hedges Homeowners Association**

This Amendment is made to the Declaration of Hedges Homeowners Association, Inc. which was recorded in the Monroe County Clerk's Office in Liber 7979 of Deeds, page 280.

This Amendment to Declaration which is set forth below was approved by the consent of the Members of the Hedges Homeowners Association, Inc. in accordance with the terms provided for relative to the amendment of the Declaration and the amendment of the By-Laws of the Association.

AMENDMENT TO BY-LAWS

The By-laws of the Hedges Homeowners Association, Inc. are hereby amended as follows:

Section 4.3 will now read as follows:

- 4.3 **Election and Term** - At the first annual meeting following the adoption of the amendment to By-laws whereby the procedure for the election and term of Directors has been restated, one (1) Director shall be elected for a term of one (1) year, two (2) Directors shall be elected for a term of two (2) years and two (2) Directors shall be elected for a term of three (3) years. At each annual meeting of the Members thereafter, Directors shall be elected for a term of three (3) years by a plurality of votes cast, to hold office until the expiration of the term for which they are elected, and until their successor(s) have been elected and qualified. In all elections of Directors, each Member may cast, in respect to each vacancy, as many votes as entitled to exercise under the provisions of the Declaration. The person(s) receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 4.5 will now read as follows:

- 4.5 **Vacancies** - Any vacancy in the Board of Directors occurring during the term of a Director may be filled by the Directors then serving, although less than a quorum, by a affirmative vote of the majority thereof. Any Director so elected by the Board of Directors shall hold office until the next succeeding annual meeting of the Members of the Association, or until the election of his or her successor. At the time of the election of the successor by the Members, the term of said Director shall be of such a length as shall coincide with the expiration of the term of the Director for which the vacancy has been filled.

AMENDMENT TO DECLARATION

The Declaration of the Hedges Homeowners Association, Inc. shall be amended as follows:

The first paragraph of Article X, "INSURANCE," Section 10.1 Physical Damage Insurance, will now read as follows:

ARTICLE X INSURANCE

10.1 **Physical Damage Insurance** - The Sponsor, for each Lot owned within the Property, hereby irrevocably nominates, and each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to nominate irrevocably, the Association as Trustee with authority to obtain and maintain, to the extent available, insurance on all Association buildings and all other insurable improvements upon the land, coverage shall be for the full replacement value (without deduction for depreciation) of all improvements on the Property under the "all in" concept, including fixtures, improvements and alterations made or installed by the builder and any subsequent Lot Owners, and including, but not limited to, the wall-to-wall carpeting, lighting fixtures, bathroom fixtures and appliances (such as those used for refrigerating, ventilating, cooking, dish washing, laundering, security or housekeeping), wall coverings, and all machinery and personal property servicing the Dwelling Units and Common Area as may be held and administered by the Board of Directors for the benefit of the Lot Owners, but excluding personal property of Lot Owners other than appliances as described above, covering the interest of the Association, the Board of Directors and all Lot Owners and their mortgagees as their interests may appear. The insurance shall be purchased from recognized insurance companies duly licensed to operate in the State of New York. Such policies of physical damage insurance shall be written in the name of the Association, as Trustee for each Lot Owner, and shall contain waivers of subrogation and of any reduction of pro rata liability of the insurer as a result of any insurance carried by any Lot Owner, and shall provide that such policies may not be canceled or substantially modified without at least ten (10) days prior written notice to all of the insureds, including any mortgagee of any Lot. For the purpose of clarifying which improvements may be repaired and/or replaced with any insurance proceeds in accordance with the terms of this Article, notwithstanding anything hereinafter set forth to the contrary, "exterior portion" shall include not only those items defined in Section 6.2 (iii) hereof but shall also include, as under the "all in" concept, all fixtures, improvements and alterations made or installed by the builder and any subsequent Lot Owners, and including, but not limited to, the wall-to-wall carpeting, lighting fixtures, bathroom fixtures and appliances (such as those used for refrigerating, ventilating, cooking, dish washing, laundering, security or housekeeping), wall coverings, and all machinery and personal property servicing the Dwelling Units and Common Area as may be held and administered by the Board of Directors for the benefit of the Lot Owners, but excluding personal property of Lot Owners other than appliances as described above.

The remainder of Section 10.1, 10.2, and 10.3 and 10.4 will remain the same.

Article VI, "COVENANT FOR ANNUAL AND SPECIAL ASSESSMENTS," Section 6.2, "Purpose of Assessments." shall be amended by omitting the reference in subsection (iii) to "exterior doors." The effect of this amendment shall be to remove exterior doors from the list of exclusions, thereby intending to include exterior doors of the Dwelling Units as an item which will be maintained by the Association.

This instrument is prepared and recorded to make the above amendment to the Declaration effective as provided in Article XIV of the Declaration and the amendment to the By-laws effective as provided for in Article X of the By-Laws.

IN WITNESS WHEREOF, the Amendment to Declaration has been executed the 10th day of July, 1997.

HEDGES HOMEOWNERS ASSOCIATION, INC.

BY: Alberta L. Cummings
Alberta L. Cummings, President

STATE OF NEW YORK)
COUNTY OF MONROE) ss:

On this 10th day of July, 1997, before me personally came ALBERTA L. CUMMINGS, to me personally known, who, being by me duly sworn, did depose and say that she resides at 141 Regatta Drive, Webster, New York; that she is the President of Hedges Homeowners Association, Inc., the Corporation described in, and which executed the foregoing; that she knows the seal of the said Corporation; that the seal affixed to said Instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said Corporation; and that she signed her name thereto by like order.

Anthony J. Mastrodonato
Notary Public

ANTHONY J. MASTRODONATO
Notary Public, State of New York
Qualified in Monroe County
Commission Expires August 31, 1998

**DECLARATION
OF
COVENANTS, EASEMENTS AND RESTRICTIONS
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DECLARATION
OF
COVENANTS, EASEMENTS AND RESTRICTIONS

For the land and all improvements thereon known as The Hedges Lakeside Villas located at the northeast corner of the intersection of Lake Road and Lake Shore Road in the Town of Webster, County of Monroe and State of New York, as more particularly described in Schedule "A" attached hereto and made a part hereof.

W I T N E S S E T H :

HEDGES LAKESIDE DEVELOPMENT CORP., a New York Corporation with its office at 131 Parrish Road, Honeoye Falls, New York 14472 (hereinafter called "Sponsor"), hereby declares on behalf of itself, its successors and assigns:

The land described in Schedule "A", together with all improvements thereon and interest therein shall be held, sold, conveyed, and owned, leased, mortgaged and otherwise transferred subject to the covenants, restrictions, easements and conditions established by this Declaration and the By-Laws attached hereto. The Declaration and By-Laws shall run with the land and be binding upon as well as inure to the benefit of any and all persons who acquire a right, title or interest in and to such land, or part thereof, from the date of the recording of the Declaration and By-Laws until the date on which they are terminated.

The land and all improvements thereon are part of a homeowners association called The Hedges Lakeside Villas and the name of the governing body of The Hedges Lakeside Villas shall be The Hedges Homeowners Association, Inc.

ARTICLE I

DEFINITIONS

1.1 "Association" shall refer to THE HEDGES HOMEOWNERS ASSOCIATION, INC., its successors and assigns, which shall own the Common Area and maintain the Property as hereinafter provided.

1.2 "Commercial Vehicle" shall refer to any vehicle not intended or adapted primarily for private passenger transportation and shall include, without limitation, any pick-up, van, or jeep-type vehicle with lettering, markings, or insignia identifying it with a commercial enterprise or activity, or any vehicle equipped with a snowplow or other attachment adapting it to use in connection with such an enterprise or activity whether or not it is actually being so used.

1.3 "Common Area" shall refer to all real property and facilities owned by Association for the common use and enjoyment of the owners.

1.4 "Development" shall mean the real property described in Schedule A, together with all improvements thereon.

1.5 "Lot" shall refer to any plot of land shown upon any filed plat map or subdivision map of the Property, or any resubdivision map of all or a portion of the same, with the exception of the Common Area.

1.6 "Member" shall mean all those Owners who are members of the Association as provided in Article III hereof, including the Sponsor, its successors and assigns, as long as Sponsor is the record Owner of the fee simple title to any Lot or real property within the Development, whether or not improved by a Dwelling Unit.

1.7 "Note" shall refer to any note, bond, debenture or other evidence of indebtedness issued and sold by the Association.

1.8 "Note Holder" shall refer to the holder of any Note given by the Association, and all trustees or other legal representatives of one or more such holders.

1.9 "Occupant" shall refer to any person occupying a Townhouse for a period of twelve (12) hours or more, or overnight (even if for a period of less than twelve (12) hours), and shall include without limitation, Owners, their families, guests, or other invitees and any tenant or other renter and his or her family, guests, or other invitees.

1.10 "Owner" or "Homeowner" shall refer to the record owner, whether one or more persons or entities, of the title to any Lot which is part of the Property, but excluding those having

such interest merely as security for the performance of any obligation.

1.11 "Party Wall" shall refer to any wall which is common to and separates two (2) Townhouses.

1.12 "Property" shall refer to the real property located in the Town of Webster, Monroe County, New York, as more particularly described in Schedule "A" attached hereto and made a part hereof.

1.13 "Recreational Vehicle" shall refer to any motor home, camper, house trailer, tent trailer, boat, boat trailer, dune buggy, go-kart, snowmobile, dirt bike, or other vehicle intended, designed or adapted primarily for recreational use or purposes.

1.14 "Single or One Family Occupancy" shall refer to the residential occupancy by no more than (2) unrelated adults or four (4) adults all related to one another as either brother, sister, stepbrother, stepsister, mother, father, husband, wife, daughter, son, stepdaughter, stepson, together with any number of their children, all of whom are related to each other as brother or sister, or stepbrother or stepsister. The foregoing shall include adopted and licensed agency approved or placed foster children. The foregoing notwithstanding, single family occupancy, as used herein, is further defined as residential occupancy by no more than ten (10) unrelated adults, so long as such occupancy by any particular group of unrelated adults shall not exceed a period of fourteen (14) consecutive days.

1.15 "Sponsor" shall refer to HEDGES LAKESIDE DEVELOPMENT CORP., and its successors and assigns if such successors or assigns should acquire more than one (1) undeveloped Lot from the declarant for the purpose of development.

1.16 "Townhouse" or "Dwelling Unit" shall refer to the improvement constructed upon any Lot, subject to this Declaration, for use as a single or one family residence.

ARTICLE II

ADDITIONS TO PROPERTY SUBJECT TO THIS DECLARATION AND SPONSOR'S RIGHT TO RESUBDIVIDE

2.1 Lot Resubdivision by Sponsor. Sponsor reserves the right to resubdivide Lots shown on the subdivision map when filed for the purpose of adjusting Lot boundary lines to accommodate the dimensions and placement of the Dwelling Units as constructed or to eliminate any encroachments of Dwelling Units onto adjacent Lots. This right of resubdivision shall not apply to Lots which Sponsor has transferred to a new Owner.

2.2 Additions to the Development by the Association. The annexation of additional property shall require the consent of two-thirds (2/3) of the Class A Members entitled to vote thereon, at a special meeting duly called for this purpose.

2.3 Mergers. Upon a merger or consolidation of the Association, with another association, the properties, rights and obligations of the Association may, by operation of law, be transferred to the surviving or consolidated association, or, alternatively, the properties, rights and obligations of the other association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants and restrictions established by this Declaration within the Development, together with covenants and restrictions established upon any other properties as one scheme. No such merger or consolidation, however, shall effect any revocation, change or addition to the covenants established by this Declaration within the Development except as hereinafter provided.

ARTICLE III

MEMBERSHIP - VOTING RIGHTS

3.1 Association Members. The Association membership shall include the Sponsor and Owners of Lots. All Owners, upon becoming such, shall be deemed automatically to have become Members and there shall be no other qualification for membership. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of any obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Association. The membership shall consist of two (2) classes, Class A Members and Class B Members.

3.2 Votes.

(a) Class A Members shall be all Lot or Homeowners, including the Sponsor. Each Class A Member shall have only one (1) vote regardless of the number of Lots owned.

(b) The Class B Member shall be the Sponsor, its successors and assigns.

(c) Until the termination of the Class B Membership, the Class B Membership shall be the only Class entitled to vote. After the termination of the Class B Membership, the Class A Membership shall be the only Class entitled to vote.

3.3 Voting Rules. All Members of the Association entitled to vote in accordance with Article 3.2 hereof, shall vote pursuant to the following rules:

a) Each Member, regardless of the number of Lots he or she owns or holds, shall be entitled to cast one (1) vote.

b) When any Lot is owned by more than one (1) person or entity, as tenants by the entirety, or in joint tenancy, or tenancy in common, or any other manner of joint or common ownership or interest, such persons or entities, as Owners of a single Lot shall collectively be entitled to cast only one (1) vote, and if such person or entities cannot jointly agree as to how such vote should be cast, no vote shall be allowed with respect to such Lot.

3.4 Control by Sponsor. The Sponsor's Class B Membership shall be terminated and be converted to Class A Memberships (as to each Lot then owned by Sponsor) immediately upon the expiration of five (5) years after the transfer of the first Lot in the Development, or upon the transfer of the 38th Lot contained therein, whichever event first occurs. As a result of such termination, Sponsor shall no longer be entitled to select the directors but they shall then be elected by the Class A Members in accordance with the By-Laws.

There shall be a Board of Directors for The Hedges Lakeside Villas.

Notwithstanding anything to the contrary in this Declaration or the By-Laws regarding the numbers of directors, requirements of a quorum or otherwise, for so long as Sponsor is entitled to select all of the directors there may be only three (3) directors selected, none of whom need be a resident of The Hedges Lakeside Villas. Similarly, for as long as Sponsor is entitled to select any of the directors, the directors selected by Sponsor need not be residents of The Hedges Lakeside Villas.

For so long as Sponsor owns two or more unsold Homes, the number of directors on the Board of Directors shall not be increased without Sponsor's prior written consent.

Within thirty (30) days of the occurrence of the earlier of the following events: (a) one (1) year from the date of transfer of the first Lot or (b) the date on which Sponsor has transferred title to the 30th Home in The Hedges Lakeside Villas, Sponsor will, by written notice given in accordance with the terms of the By-Laws, convene a meeting of the Homeowners for the purpose of electing the members of the Board of Directors. Thereafter, such election shall take place at an annual meeting of Homeowners each year. Sponsor shall be entitled to cast the votes for the election of directors until its Class B Membership shall be terminated.

ARTICLE IV

PROPERTY RIGHTS

4.1 The Townhouse.

a) Real Property. Each Townhouse, and its respective Lot constitutes a separate parcel of real property which is owned outright, in fee simple, by the Owner and which may be sold, mortgaged, leased or otherwise transferred just as any other parcel or real property subject, however, to the provisions of this Declaration and the By-Laws.

b) Boundaries. Each Townhouse Lot shall have the boundaries shown on the Plans, subject to or benefited by, as the case may be, any encroachments which may develop from construction of the Townhouse or by settlement or movement of the Building in which the Townhouse is located.

c) Pipes, Wires and Utility Lines. All pipes, wires, conduits and utility lines or portions thereof which are located within a Townhouse and Lot and serve only such Townhouse and Lot shall be owned by the Owners unless owned by a public utility company or municipal authority. Any pipe, wire, conduit or public utility line such as the storm sewer lines, and sanitary sewer lines and the water lines, from the respective mains in and along any public street to the individual service connection for each Townhouse shall be owned by the Association unless owned by a Public Utility Company or Municipal Authority.

4.2 Common Area Use. Every Member shall have a right of enjoyment and appropriate easements in and to the Common Area and such easement shall be appurtenant to and shall pass with the transfer of title to any Lot. All such rights and easements are subject, nevertheless, to the rights of the Association:

a) To limit the number of guests or invitees of Members in or upon the Common Area or any facilities located thereon; and

b) To charge reasonable admission and other fees for the use of any recreational facilities situated upon the Common Area; and

c) To borrow money for the purpose of improving the Common Area and as security therefor to mortgage the same, provided that no mortgage on the Common Area shall be granted without the prior consent of two-thirds (2/3) of the votes held by the members of the Association, including Sponsor, cast at a meeting duly called for such purpose in accordance with the By-Laws; and

d) To suspend the right to use and enjoy any recreational facilities by a Member for any period during which

any dues or any assessment remain unpaid, or during which a violation of this Declaration or the By-Laws exists; and for a period not to exceed thirty (30) days for any infraction of rules and regulations adopted and promulgated by the Association; and

e) To grant easements or rights of way to the Town of Webster or any of its districts, or to any public or private utility corporation, or public or municipal agency.

ARTICLE V

EASEMENTS

5.1 Encroachments. Each Townhouse Lot and the Common Area shall be subject to an easement for encroachments created by construction, settling and overhangs, as designed or constructed, which easement shall continue as long as said encroachment exists. In the event any building containing two or more Townhouses is partially or totally destroyed and then rebuilt, the Owners of the Townhouses so affected, agree that minor encroachments of parts of the adjacent Townhouse Units or Common Area due to construction shall be permitted and that a valid easement for said encroachments and the maintenance thereof shall exist.

5.2 Blanket Easement. There is hereby created a blanket easement upon, across, over, and under all of said Property for ingress, egress, installation, replacing, repairing and maintaining all utilities, including, but not limited to, water supply and sprinkler systems, sewers or sewage disposal systems, gas, telephone and electricity, and cable television or a master television antenna system. By virtue of this easement, it shall be expressly permissible for the Sponsor or the Association or utility or other entity responsible for the providing of electrical, telephone, water, sewer or sewage disposal system, gas, or television service, to erect and maintain the necessary underground pipes, conduits and other necessary equipment at or below grade on said Property and to affix and maintain electrical, master television and telephone wires, circuits and conduits on, above, across and under the roofs and exterior walls of said Townhouses. An easement is further granted to all police, fire protection and ambulance personnel and all similar emergency service personnel to enter upon the Lots and Common Area in the performance of their duties. Further, an easement is hereby granted to the Association, its officers, agents, employees, and to any management company selected by the Association to enter in or to cross over the Common Area, the Lots, and to enter any Townhouse, during reasonable hours, and upon request when occupied except in an emergency, to inspect and to perform the duties of maintenance and repair of the Townhouses or Common Area as provided for herein. Notwithstanding anything to the contrary contained in this paragraph, no sewers or sewage disposal system components, electrical lines, water lines, wells and water pumping and pressure system components or other utilities may be

installed or relocated on said Property except as initially designed, laid out and approved by the Sponsor or thereafter approved by Sponsor or the Board of Directors of the Association. Should any public utility or municipal department or district furnishing a service covered by the general easement herein provided request a specific easement in the form of a separate recordable document, Sponsor shall have the right to grant such an easement on said Property without conflicting with the terms hereof. The easements provided for in this Article V shall in no way affect any other recorded easement affecting said Property.

5.3 Sponsor's Easements. Easements and rights-of-way are hereby expressly reserved to Sponsor, its successors and assigns, in, on, over and under the Common Area and "Easement Area", as hereinafter defined, of each Lot submitted to this Declaration for the following purposes:

a) Construction Easement. For the period of time during which Sponsor is still constructing Dwelling Units in the Development, Sponsor shall have a temporary easement for the purpose of constructing the Dwelling Units, maintaining a sales office, and installing and completing the Facilities. The right to maintain a sales office shall include Sponsor's right to post sales signs, erect and maintain one or more model Dwelling Units, and to have Sponsor's customers use the roads and vehicular parking areas within the Development. The easement herein shall terminate when Sponsor has sold the last Dwelling Unit in the Development. When the easement terminates, Sponsor shall clean up any area used by it, and shall restore the premises used to a neat and orderly condition.

b) Temporary Blanket Easement. Sponsor reserves a temporary blanket easement to go upon the Common Area and all Lots in the Development for the purpose of maintaining, repairing, replacing or restoring the Facilities and making repairs to the Dwelling Units pending the Association's take-over of such duties, and for the purpose of fulfilling the express warranties or agreements to repair contained in contracts between the Sponsor and the individual Dwelling Unit Owners.

c) Utility Easements. Sponsor reserves the right to grant and create easements, whether or not the same are shown on the subdivision map to be filed or on any resubdivision map of all or a portion of the same, to the Town of Webster, any special improvement district thereof, any public or private utility, any public or municipal authority, or other entity for the installation, repair, maintenance, and replacement of sidewalks, sanitary and storm sewers, water lines and hydrants, electrical lines, telephone lines, cable television lines, and all related pipes, cables, wires, conduits, grates, manholes, and other appurtenances; provided that any such easements not shown on the filed map(s) referred to shall not be located under or across the portion of a Lot covered by the Dwelling Unit.

5.4 Easement Area. The term "Easement Area", as used herein, shall mean and refer to (i) those areas on each said subdivision Lot with respect to which easements are shown on the recorded subdivision plat relating thereto, or (ii) if no easements are shown on any such plat, to all of the land within the Lot lines of each said subdivision Lot at the front and rear of the Lot which is not covered by any portion of the Townhouse or appurtenant structure.

ARTICLE VI

COVENANT FOR ANNUAL AND SPECIAL ASSESSMENTS

6.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of any lot within the Property, is hereby deemed to have covenanted and agreed, by acceptance of a deed therefor, and whether or not it shall be so expressed in such deed, to pay to the Association: (1) annual assessments or charges, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The covenant in this Section shall not constitute a guarantee, or promise of any kind by Sponsor to pay any assessment, or any other obligations, other than Sponsor's obligation to the Association as set forth in the Offering Plan filed with the New York State Department of Law. The annual and special assessments, together with interest and costs, and reasonable attorney's fees incurred in the collection of same shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who is the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

6.2 Purpose of Assessments. Assessments levied by the Association shall be used exclusively (i) for the payment of all principal and interest, when due, on all loans referred to in Section 6.13, and (ii) to operate, maintain, repair, improve, construct, reconstruct and preserve, on a non-profit basis, the Common Area owned by the Association and all improvements located thereon, including, without limitation, any Dwelling Unit owned by the Association, the private drives and parking areas, storm drainage system, sprinkler system, sewage disposal system from the clean-outs on the laterals to the individual Townhouse Units, landscaping, clubhouse, swimming pool and outdoor recreational facilities, all exclusively for the benefit of its members, their guests, tenants and invitees; and (iii) to maintain, repair, reconstruct, replace and preserve, on a non-profit basis, the residential Lots, and the Townhouses constructed thereon for the purpose of preserving the exterior appearance and configuration of said Lots and Townhouses, including but not limited to, all

exterior (outside) walls, foundations, roof and roof members, fascia and exterior trim, exterior lights, gutters and downspouts, walks and parking areas, trees, shrubs and grasses, and other exterior improvements, excluding, nevertheless, any patio or deck, built exclusively for the benefit of the Owner(s) thereof, windows, skylights and exterior doors. Except for the structural portion thereof, there shall be no obligation on the part of the Association to maintain, repair, reconstruct, replace or preserve any part of the interior of any Townhouse or any fixtures or mechanical systems (including, but not limited to, heating, chimney, electrical, plumbing, or air-conditioning); (iv) to pay premiums for insurance as hereafter provided in Article X; and (v) to provide all necessary and reasonable services to Association members incidental to the foregoing and also including, but not limited to, snow removal, management and general overhead.

6.3 Homeowners Willful Act or Negligence. In the event that the need for maintenance or repair is caused through the willful act of the Owner, his family, tenants, guests, or invitees, and not paid for by him or his insurance, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such Lot is subject.

6.4 Special Assessments for Capital Improvements. In addition to the annual assessment authorized above, the Association may levy, in an assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement located upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the assent of two-thirds (2/3) of the votes of the Members present in person or by proxy, at a meeting duly called for such purpose.

6.5 Notice and Quorum for Any Action Authorized Under Section 6.4. Written notice of any meeting called for the purpose of taking any action authorized under Section 6.4 shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. The presence of Members, in person or by proxy, entitled to cast two-thirds (2/3) of all the votes of the membership shall constitute a quorum.

6.6 Commencement of Assessments. Subject to Sponsor's right to pay the difference between the Association's actual operating expenses and the annual assessments collected from Lot or Dwelling Unit Owners other than Sponsor, as hereinafter set forth, both annual and special assessments provided for herein shall commence as to all Lots on the day the first Lot is transferred. All of said assessments shall be prorated according to the number of months remaining in the fiscal year.

The annual assessments for the first year shall be fixed by the Sponsor. The Board of Directors shall fix the amount of subsequent annual assessments for each Lot at least thirty (30)

days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors, and unless otherwise provided, the Association shall collect each month from the Owner of each Lot one-twelfth (1/12) of the annual assessment for such Lot.

6.7 Uniformity of Assessments. Each Lot Owner shall be responsible to pay a fraction of the total annual or special assessments levied by the Association after such Lot becomes subject to the payment thereof in accordance with the foregoing provisions hereof. Subject to Sponsor's right to pay the difference between the Association's actual operating expenses and the annual assessments collected from Lot or Dwelling Unit Owners other than Sponsor, as set forth in Section 6.8 below, each Lot or Dwelling Unit Owner shall be responsible to pay one-fortysecond (1/42) of the special or annual assessments levied by the Association after such Lot becomes subject to the payment thereof.

6.8 Assessments on Lots or Dwelling Units Owned by Sponsor. No Lot or Dwelling Unit owned by Sponsor in the Development which is subject to this Declaration shall be subject to the payment of any annual assessments until Sponsor notifies the Association in writing that all the remaining and unsold Lots it owns in the Development shall immediately become subject to the payment of such annual assessments. Thereupon, Sponsor shall commence to pay the required monthly assessment installment for each Lot or Dwelling Unit covered by such notice. The annual assessment installments which are due for the month in which such notice is given shall be adjusted and prorated from the date of such notice to the close of such month. While the Lots or Dwelling Units owned by Sponsor in the Development are exempt from the payment of the annual assessments by virtue of the foregoing provisions of this section, Sponsor shall pay to the Association each month, a sum of money equal to the Association's actual monthly expenses, including all reserve contributions, reduced by a sum equal to the total assessments levied by the Association for that month upon the other Lots in the Development. Sponsor shall have the right, but not the obligation, to be reimbursed by the purchaser of a Lot for those portions of Sponsor's payments for such Lot which represent reserves for completed improvements. Such reimbursement to Sponsor may be collected upon the transfer of such Lot.

6.9 Certificates of Payment. The Association shall, upon demand at any time, furnish to any Owner liable for said assessment, a certificate in writing, signed by an officer of the Association, or an officer or employee of any independent manager properly retained by the Association, setting forth whether said assessment has been paid. The Association or property manager shall be entitled to levy an administrative charge for any such certificate requested by any such Owner.

6.10 Effect of Nonpayment of Assessments and Remedies of the Association. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, it shall bear a late charge as provided in the By-Laws of the Association, and if not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate specified in the Association By-Laws, but in no event in excess of the prevailing legal maximum rate per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against such Owner's Lot, and late charges, interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. Each such Owner, by his acceptance of a deed to a Lot, thereby expressly vests in the Association, or its agents, the right and power to bring all actions against such Owner personally for the collection of such charges as a debt, and to enforce the aforesaid lien by all methods available for the enforcement of liens against real property, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage foreclosure on real property, and such Owner is deemed thereby to have expressly granted to the Association a power of sale in connection with the foreclosure of said lien. The lien provided for in this Section shall be in favor of the Association and shall be for the benefit of all other Lot Owners. The Association, acting on behalf of the Lot Owners, shall have the power to bid for the interest foreclosed at a foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its rights to such liens, as may be necessary or expedient, to an insurance company continuing to give total coverage (notwithstanding nonpayment of such defaulting Owner's portion of the premium) for fire and other hazard insurance. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area, or abandonment of his Lot, or by renunciation of membership in the Association. An Owner may give to the Association, nevertheless, subject to acceptance thereof by the Association, a deed in lieu of foreclosure.

6.11 Subordination of the Association Lien, to First Mortgages. The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage given to any bank, savings bank, savings and loan association, pension fund, or other institutional lender or to Sponsor. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to foreclosure of any first mortgage, given as above provided, and provided that the Association is made a party defendant in such foreclosure action, shall extinguish the lien of such assessments as to payments which become due prior to the foreclosure sale and transfer. No foreclosure sale or transfer shall relieve such Lots from liability for any assessments thereafter becoming due, or from the lien thereof.

6.12 Exempt Property. All properties dedicated to, and accepted by, a local municipality or authority, and the Common Area, shall be exempt from the assessments created herein.

6.13 Loans to the Association. The Board of Directors of the Association, within the limitations imposed by Section 6.3, may borrow monies from time to time, so long as the repayment of the principal borrowed and the interest thereon shall be accomplished within the term of five (5) years. Loans that shall require repayment over a longer term shall first be approved by two-thirds (2/3) of the votes of the Class A Members present in person or by proxy at a meeting duly called for this purpose.

In order to secure the repayment of any and all sums borrowed by it from time to time, the Association is hereby granted the right and power (i) to assign and pledge revenues received, and to be received, by it under any provisions of this Declaration, provided that no such assignment or pledge shall be made without the prior consent of two-thirds (2/3) of the votes of the Members of the Association entitled to vote thereon, cast at a meeting duly called for such purpose in accordance with the By-Laws, and (ii) to enter into an agreement with the Note Holder(s) with respect to the collection and disbursement of funds, and (iii) to apply funds received by the Association first to the payment of principal and interest, when due, on such loans; and (iv) to establish such collection, payment and lien enforcement procedures as may be required by the Note Holder(s).

6.14 Reserves and Surplus. The Board of Directors of the Association may establish, from time to time, reserves for such lawful purposes as in its sole discretion it may determine to be necessary and desirable for the greater financial security of the Association and the effectuation of its purposes. The Association shall not be obligated to spend, in any fiscal year, all the sums collected in such year, and may carry forward as surplus, any balances remaining; nor shall the Association be obligated to apply any such surplus to the reduction of the amount of the annual assessment in the succeeding year, but may carry forward the same from year to year.

6.15 Contractual Authority. The Association shall be entitled to contract with any corporation, firm or other entity for the performance of various duties imposed on the Association.

ARTICLE VII

PARTY WALLS

Each interior wall which is common to two Homes and separates such Homes from one another is a party wall. Each such wall has been built over the boundary line between the two Lots and shall constitute the dividing line between the two Homes and Lots involved. A Homeowner who shares a party wall with another Owner

shall, at his or her expense, maintain, repair and replace his or her side of such wall, except;

a) In the case of structural damage or problems, the maintenance, repair and replacement of the wall shall be undertaken jointly by the Owners who share the wall and at their joint expense, unless such expense is covered by the insurance purchased by the Association; or

b) In the case of intentional or negligent damage to the wall by one of the Owners or by his or her relatives, agents, guests, employees or invitees, the maintenance, repair and replacement of the wall shall be performed entirely by the Owner responsible for the damage and at his or her expense, unless such expense is covered by the insurance purchased by the Association.

In all other cases, the laws of the State of New York on party walls shall control.

ARTICLE VIII

GENERAL COVENANTS - USE RESTRICTIONS

8.1 Residential Lots. Each Lot, improved with a Townhouse, shall be conveyed as a separately designated and legally described freehold estate subject to the terms, conditions and provisions hereof, and shall be used for single family residential purposes only. Any Unit owned by the Association may also be used for such purposes as the Board of Directors, deems appropriate, including but not limited to the storage of Association equipment and property.

8.2 Model Units. Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for Sponsor or the builder of the Townhouse to maintain during the period of construction and sale of said Townhouses, upon such portion of the premises as Sponsor deems necessary, such facilities as in the sole opinion of Sponsor may be reasonably required, convenient or incidental to the construction and sale of said Townhouses, including, but without limitation, a business office, storage area, construction yards, signs, model units and sales office.

8.3 Restrictions. No planting or gardening shall be done, and no fences, hedges, or walls shall be erected or maintained upon said Property except as are installed in accordance with the initial construction of the buildings located thereon or as approved by the Board of Directors of the Association, or its designated representative. No trimming, cutting, fertilizing or modifying of plantings, trees, foliage, or shrubs planted around the dwellings or elsewhere upon the Property shall be done by anyone other than the employees of the Managing Agent of the

Association, or persons duly authorized by the Board of Directors to perform such work. Except for the right of ingress and egress, the Owners of Lots are hereby prohibited and restricted from using any of said Property outside the exterior building lines except as may be allowed by this Declaration or by the Board of Directors of the Association. It is expressly acknowledged and agreed by all parties concerned that this Paragraph is for the mutual benefit of all Owners of Lots included in the Property subject to this Declaration.

8.4 Modifications. Modification of any kind to the exterior of the Townhouse, either to the structure or the appearance thereof, including, but not limited to, color of exterior siding and trim, awnings, lights, doors, windows, mechanical devices, T.V. antennas, flags or storage structures, shall not be made without the express written consent of the Board of Directors of the Association.

8.5 Entry and Rear Deck. Each Owner shall maintain, clean and keep free from unsightly objects, the entry and patio or deck area, if any, including the area under the same, of his or her Townhouse. This shall include the removal of ice and snow from said areas which will not be done by the Association.

8.6 Sports, Activities, Etc. There shall be no organized sports activities, picnicking or fires except in areas designated by the Board of Directors of the Association.

8.7 Pets. No animals or reptiles of any kind shall be raised, bred or kept in any Townhouse or in the Common Area, except that dogs, cats or other common household pets, not to exceed two (2) per Home, may be kept in the Home, subject to the rules set forth herein and any additional rules established by the Association. Any violation of this restriction may result in an order from the Board of Directors requiring that the animal be permanently removed from the Property upon three (3) days written notice to the Owner or Occupant harboring the same. Any dog, cat, or other animal found on the Property which is not on a leash or in a cage may be summarily removed by the Association or the Managing Agent, or its employees, and delivered to the custody of any local or municipal authority with power to impound the same without any liability on the part of the Association, its managers, agents, or employees for such removal.

8.8 Speed Limit. The maximum speed limit for all vehicles within the Property shall be fifteen (15) MPH.

8.9 Commercial Vehicles. No commercial vehicles, apart from those operated by the individual Unit Owners or those temporarily on the premises for the purpose of making deliveries or providing services to the Dwelling Units or in connection with the maintenance of the Common Areas shall be parked or stored on any portion of the Property.

8.10 Abandoned Vehicles. No abandoned or unregistered vehicle shall be parked, left or stored upon the Property or any portion thereof.

8.11 Recreational Vehicles. No recreational vehicle shall be operated, driven, parked or stored on any portion of the Property, except that vehicles such as motor homes (but not mobile homes), campers and trailers may be parked for durations of no more than four (4) hours, and then not more than once in any twenty-four (24) hour period, the intention being that such vehicles may be brought onto the Property only temporarily for purposes such as loading or unloading, but not for off-road use, overnight parking, or for parking or storage for longer periods. Specifically, no dune buggies, dirt bikes, go-karts, snowmobiles or similar recreational vehicles may be operated or driven at any time on any portion of the Property.

8.12 Advertising Signs. No advertising signs, except one "For Rent" or "For Sale" sign not to exceed six square feet in size, shall be placed or permitted to remain on any Dwelling Unit or Lot or in the Common Areas, provided that such permitted signs are in accordance with all state, county and local ordinances. Nevertheless, Sponsor reserves the right during the construction and sales period to place such signs as its officers or managers may determine are necessary or useful for the purposes of offering the Dwelling Units to the public for sale or for rent, and Sponsor further reserves the right (but not the obligation) to design, fabricate and install one or more permanent signs in locations of its choice identifying the development. Maintenance of the permanent sign(s) shall be the responsibility and at the expense of the Association, excepting only repairs or replacements thereof required during the first year after erection of such sign(s) by reason of defective materials or workmanship in the original installation, which shall be the responsibility of Sponsor at its expense.

8.13 Refuse. All trash, rubbish and refuse shall be placed in proper receptacles as specified by the Association.

8.14 Nuisance. No occupant of a Dwelling Unit shall create or make any noise or disturbance which shall unreasonably interfere with the use and enjoyment of any other Unit, or so as to constitute a nuisance.

8.15 Additional Rules. The Board of Directors may, from time to time, adopt additional rules and regulations governing the use of the Common Area and conduct of all residents and guests on the Property. No action shall be taken by the Association or its Board which in any manner would discriminate against any Owner or Owners in favor of other Owners.

ARTICLE IX

ZONING AND SPECIFIC RESTRICTIONS

9.1 Zoning Requirements. This Declaration shall not be taken as permitting any action prohibited by the applicable zoning laws, or the laws, rules, or regulations of any governmental authority, or by specific restrictions of record. In the event of any conflict, the most restrictive provision of such laws, rules, regulations, restrictions of record, or this Declaration shall be taken to govern and control.

ARTICLE X

INSURANCE

10.1 Physical Damage Insurance. The Sponsor, for each Lot owned within the Property, hereby irrevocably nominates, and each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be expressed in such deed, is deemed to nominate irrevocably, the Association as Trustee with authority to obtain and maintain fire insurance and extended coverage for all Townhouses, insuring the buildings and fixtures, in an amount sufficient to cover the full replacement cost thereof. Such policies of physical damage insurance shall be written in the name of the Association, as Trustee for each Lot Owner, and shall contain waivers of subrogation and of any reduction of pro-rata liability of the insurer as a result of any insurance carried by any Lot Owner, or of the invalidity arising from any acts of the insured or any Lot Owner, and shall provide that such policies may not be cancelled or substantially modified without at least ten (10) days prior written notice to all of the named insureds, including any mortgagee of any Lot.

Each policy shall contain a New York standard mortgagee clause in favor of any first mortgagee only, of any Lot, which shall provide that the loss, if any, thereunder shall be payable to such first mortgagee as its interest may appear, subject, however, to the loss payment provisions in favor of the Association hereinafter set forth. All such policies shall provide that adjustment of loss shall be made by the Association with the approval of the Lot Owner, and that the net proceeds thereof shall be payable to the Association.

The premiums for all such insurance obtained by the Association shall be part of the Common Expenses included in the annual assessment.

Lot Owners shall not be prohibited from carrying additional insurance for their own benefit, provided that such policies contain waivers of subrogation, and further provided that the liability of the carrier issuing insurance procured by the Association shall not be affected or diminished by reason of any such additional insurance carried by any Lot Owner.

In the event of damage to or destruction of any Townhouse as a result of fire or other casualty, the Owner, with the concurrence of his or her first mortgagee, if any, upon receipt of the insurance proceeds by the Association, shall contract to rebuild or repair such damaged or destroyed Townhouse.

Upon receipt of the insurance proceeds, and prior to making any other disbursement, the Association shall first pay the expenses incurred, if any, including the reasonable charges for the services of any public adjuster and of any attorney employed by the Association to secure payment of such proceeds.

No disbursement for reconstruction or repair shall be made, nevertheless, unless the Association is first directed by a written certificate of the Owner, or his designated architect or engineer, stating that the sums to be paid are due and properly payable for said reconstruction or repair, stating the following information as to each disbursement:

1. Name and mailing address of payee;
2. Amount of payment;
3. Purpose of payment.

Upon the failure or refusal of the first mortgagee and the Owner to proceed with the reconstruction or repairs within thirty (30) days after written notice and demand, such portion of the proceeds as may be necessary to discharge the interest of the first mortgagee, if any, shall be paid over by the Association to such mortgagee, upon the tender by said mortgagee of a duly executed discharge of the mortgage in recordable form.

The Association is hereby irrevocably authorized by the Owner to use the balance of insurance proceeds remaining after discharge of any first mortgagee interest, to reconstruct the "exterior portion" of such Townhouse so damaged or destroyed, in conformance with the original plans and specifications of such Townhouse, which "exterior portion" shall include those items defined in Section 6.2 (iii) hereof. Provided, however, the Association may also, in the discretion of the Board of Directors, restore the heating system inside the Unit to the extent necessary to preserve said exterior portion and party walls.

No disbursement for reconstruction and repair of the "exterior portion" of such Townhouse shall be made unless the Association is first directed by a written certificate of an architect or engineer, employed by the Association to supervise such reconstruction or repair, stating that the sums to be paid are due and properly payable for such reconstruction or repair of the "exterior portion" and stating the following information as to each disbursement:

1. Name and mailing address of each payee;

2. Amount of payment;
3. Purpose of payment.

In the event the cost to reconstruct the "exterior portion" of such Townhouse shall exceed the balance of insurance proceeds after the payment of expenses and the discharge of the first mortgagee's interest, the cost to reconstruct the "exterior portion" in excess of the balance shall be an expense of the specific Owner of such Townhouse and shall be paid within thirty (30) days after notice and demand therefor. In default of payment thereof, the excess cost, together with interest, costs and reasonable attorneys' fees, shall become a charge on the land and shall become a continuing lien upon the Lot against which such additional cost was incurred. Such lien may be enforced to the same manner as the lien for annual and special assessments as provided under Article VI hereof.

Prior to the reconstruction or rebuilding of the "exterior portion" of such destroyed Townhouse, the Association may, but shall not be required to, employ an architect or engineer to supervise the same and, based upon the original plans and specifications for such Townhouse, advertise for sealed bids, and may thereafter negotiate with any contractor for the reconstruction or repair of such Townhouse's "exterior portion."

In the event the cost of reconstruction or repair of the "exterior portion" of such Townhouse, including the reasonable cost for services of any architect, engineer or attorney employed by the Association to pursue the reconstruction and repair of the "exterior portion" of such Townhouse, is less than the insurance proceeds received by the Association, then, and in such event, the proceeds remaining, after payment of costs, shall be paid to the Owner upon the tender to the Association by such Owner of a duly executed release of liability and accountability for the use of such insurance proceeds.

All insurance proceeds paid on any loss claim shall first be deposited in a bank or other financial institution, in an interest bearing account insured by a federal governmental agency, with provision that such proceeds, or any part thereof, may be only withdrawn upon the signatures of at least two (2) members of the Board of Directors or their designees.

Notwithstanding the foregoing provisions of this Section 10.1, it is further provided that the requirement for the maintenance of insurance on a Townhouse shall not apply to any Townhouse acquired by the Veteran's Administration or Federal Housing Administration under a mortgage foreclosure during the period of ownership by either of said Veteran's Administration or Federal Housing Administration.

The initial amount of physical damage insurance allocated to a particular Townhouse shall be at least in such amount as may

be required by any first mortgagee of such Townhouse, but in no event in an amount less than the amount of the Purchase Price, less the sum of TEN THOUSAND (\$10,000.00) DOLLARS. Any Lot Owner may, upon written request, direct the Association to increase insurance coverage on his particular Townhouse in such amount as the carrier selected by the Association is willing to underwrite. The amount of such insurance coverage shall be increased annually to cover the increase, if any, in the replacement cost of each Townhouse.

Only the Association, as Trustee, the Lot Owner, and his or her mortgagee shall be named insureds. Assignment of the policy or of the proceeds of the policy, in the event of loss, shall be prohibited.

The Association may consult with, and employ, an attorney of its choice with respect to any question relating to its duties or responsibilities hereunder and shall not be liable for any action taken or omitted by it in good faith, or on advice of counsel. The Association shall be reimbursed for all expenses incurred by it in connection with its duties under this Article, and the same shall be deemed to be a charge against the insurance proceeds, except for such expenses incurred as a result of bad faith or willful misconduct.

10.2 Public Liability Insurance. The Association shall obtain broad form public liability insurance covering the Common Area and all of the Lots, excluding, nevertheless, liability coverage for the interior of any Townhouse or private patio or deck area, in a single limit amount of not less than ONE MILLION DOLLARS (\$1,000,000.00) covering claims for bodily injury, death and property damage arising out of any one occurrence. Premiums for public liability insurance shall be part of the Common Expense payable out of annual assessments provided under Article VI hereof.

10.3 Other Insurance. All policies of liability insurance shall contain cross-liability endorsements to cover liabilities of the Homeowners as a group (and/or the Association) to an individual Homeowner, and cross-liability endorsements to cover liabilities of an individual Homeowner to the Homeowners as a group (and/or the Association).

a) Workmen's Compensation. Should workers' compensation insurance be required by law for the Association, a workers' compensation insurance policy meeting any such requirement shall be procured by the Association.

b) Fidelity Insurance. The Board of Directors of the Association is free to decide whether or not it will obtain insurance against misappropriation of Association funds.

c) Directors' Liability Insurance. The Association may secure directors' liability insurance or such other

forms of insurance coverage as its Board of Directors may direct from time to time, to be paid for as a Common Expense.

10.4 Hazardous Activity. Under no circumstances shall an Owner permit or suffer anything to be done or left in his or her Townhouse which will increase the insurance rates on his or her Townhouse or any other Townhouse, or the Common Area.

ARTICLE XI

LIABILITY FOR DAMAGE AND INDEMNIFICATION

Each Homeowner shall be bound by the following provisions on liability for damages and indemnification:

11.1 Liability for Damage. Each Homeowner shall be liable for the expenses for any maintenance, repair or reconstruction required because of his or her act, neglect or carelessness, or that of any member of his or her family or his, hers or their guests, employees, invitees, agents or lessees, but only to the extent that such expense is not met by the proceeds of the insurance carried by the Association. Such liability shall extend to any increase in fire insurance rates occasioned by the use, misuse, occupancy, or abandonment of a Townhouse or the Common Utilities, if any. Nothing in this section shall, however, be interpreted so as to nullify or modify any waiver of subrogation rights contained in the insurance policies purchased by the Association.

11.2 Indemnification. If a person suffers bodily injury or property damage while physically within a Townhouse, and such injury or damage results in a claim or suit against any other Homeowner(s), or against the Association, or any of its directors, officers, agents or employees, then the Owner of the Townhouse within which the injury or damage occurred shall (1) indemnify and hold harmless the other Homeowner(s), the Association and any of its directors, officers, agents or employees against whom the claim or suit is brought and (2) defend, at his or her own cost, any litigation resulting therefrom. There shall, however, be no obligation to indemnify or defend any Homeowner(s) or person(s) whose negligence or willful misconduct caused or contributed to the injury or damage.

11.3 Indemnification - Acts and Decisions by the Association. To the full extent authorized by law, the Homeowners shall indemnify and hold harmless any person made a party in any civil or criminal action or proceeding by reason of the fact that he or she is a director on the Board of the Association, or an officer of the Association.

ARTICLE XII

ADMINISTRATION

The administration of The Hedges Lakeside Villas shall be governed by the following provisions:

12.1 Governing Body. The Hedges Lakeside Villas shall be governed by the Board of Directors of the Association, which shall consist of five (5) directors elected in accordance with the By-Laws.

12.2 By-Laws. The By-Laws are attached to this Declaration and shall become effective upon their recording in the Monroe County Clerk's office. They may be amended and new By-Laws may be adopted in accordance with the terms thereof.

12.3 Powers and Duties of Board of Directors. The powers and duties of the Board of Directors are established by this Declaration and the By-Laws. In addition, the Board shall have such implied powers as may reasonably be required for the effective administration of The Hedges Lakeside Villas.

The powers and duties of the Board shall be exercised in the manner prescribed by the By-Laws, provided that any duties or rights of the Board which are granted by or are to be exercised in accordance with the provisions of this Declaration, shall be so exercised.

12.4 Determinations by the Board of Directors. Unless the vote of a greater number is required by this Declaration or the By-Laws, the votes cast by a majority of the directors at a meeting at which a quorum is present, or the unanimous written consent of the directors, shall constitute the decision of the Board of Directors. A quorum shall consist of the presence of three (3) or more directors at such meeting.

12.5 Notice of Demands. Notice or demands for any purpose shall be given in the manner provided in this Declaration and the By-Laws.

12.6 Service of Process. Service of process in connection with any legal action commenced against the Association or against its Board of Directors may be made upon the President or Secretary of the Directors at the Townhouse in which he or she resides.

12.7 Funds and Titles Held by Board. All funds received by the Association and the proceeds of such funds shall be held by the Board for the benefit of the Homeowners and shall be used for the purposes stated in this Declaration and the By-Laws.

ARTICLE XIII

CONDEMNATION

If an action in eminent domain is started for the taking of all or part of The Hedges Lakeside Villas, the award for such taking shall be payable as follows:

a) If the award is for the taking of the entire The Hedges Lakeside Villas, the full amount of such award shall be paid to the Association, as Trustee, for distribution to each Homeowner for the taking of his or her Townhouse in a proportion equal to the value that his or her Townhouse bears to the value of all Townhouses in The Hedges Lakeside Villas; and for the taking of the Common Utilities, if any, in a proportion equal to the Homeowner's proportionate share of approximately 2.38% (1/42) of the amount of the award allocable to such taking. No distribution shall, however, be made to a Homeowner unless there is first paid out of his or her share (i) all amounts due, with interest, on any mortgage against his or her Townhouse and (ii) any unpaid Common Charges, Special Assessments and other liens against his or her Townhouse, together with the interest charges and fees attributable thereto.

b) If the award is for the taking of only a part of The Hedges Lakeside Villas and is less than TEN THOUSAND (\$10,000.00) DOLLARS, the entire award shall be paid to the Association, as Trustee, for distribution to the Homeowner(s) whose Townhouse, or part thereof, has been taken. No distribution shall, however, be made to a Homeowner without (a) the prior written consent of the mortgagee of his or her Townhouse and (b) there first having been paid out of his or her share of the award all unpaid Common Charges, Special Assessments and other liens against his or her Townhouse, together with any interest charges or fees attributable thereto. If the taking includes a part or parts of the Common Utilities, then so much of the award as is allocable to the taking of the Common Utilities shall be held by the Association to repair or reconstruct the same, if possible, or to reduce the Common Charges for the next succeeding fiscal year.

c) If the award is for the taking of only part of The Hedges Lakeside Villas and is in excess of TEN THOUSAND (\$10,000.00) DOLLARS, it shall be distributed to (a) each Homeowner whose Townhouse, or part thereof, has been taken, in a proportion equal to the value that the taking of his or her Townhouse bears to the value of the taking of all Townhouses; and (b) all Homeowners to the extent that the Common Utilities have been acquired and cannot be restored in equal shares of approximately 2.38% (1/42); provided, however, that no distribution shall be made to a Homeowner unless there is first paid out of his or her share, if so required by his or her mortgagee, (i) the amount due, with interest, on any mortgage against the Townhouse and (ii) any unpaid Common Charges, Special Assessments or other

exist thereon contrary to the intent and meaning of the provisions hereof; and the said parties shall not thereby be deemed guilty of any manner of trespass for such entry, abatement or removal. Nothing herein contained shall be deemed to affect or limit the rights of the Owners of the Lots within the Property to enforce these Restrictions by appropriate judicial proceeding.

16.2 No Waiver. The failure of Sponsor, the Association, or the Owner of any Lot included in the Property, their respective legal representatives, distributees, successors and assigns, to enforce any Restriction herein contained, shall in no event be considered a waiver of the right to do so thereafter, as to the same violation or breach or as to such violation or breach occurring prior or subsequent thereto.

16.3 No Reverter. No Restriction herein is intended to be, or shall be construed as, a condition subsequent to or as creating a possibility of reverter.

16.4 Invalidity. The determination by a court that any provision hereof is invalid for any reason shall not affect the validity of any provision hereof.

16.5 Equitable Remedies. Damages shall not be deemed adequate compensation for any breach or violation of any provision hereof, but any person or entity entitled to enforce any provision hereof shall be entitled to relief by way of injunction as well as any other available relief either at law or in equity.

16.6 Attorneys' Fees. Any party to a proceeding who succeeds in enforcing a Restriction or enjoining the violation of a Restriction against a Lot Owner may be awarded reasonable attorneys' fees against such Lot Owner.

16.7 Interpretation. The Board of Directors of the Association where specifically authorized herein to act, shall have the right to construe and interpret the provisions of this Declaration, and of the By-Laws, and in the absence of an adjudication by a court of competent jurisdiction to the contrary, its construction or interpretation shall be final and binding as to all persons or property benefited or bound by such provisions. Any conflict between any construction or interpretation made by the Board of Directors and any other person or entity to enforce the provisions hereof and of the By-Laws shall be resolved in favor of the construction or interpretation by the Board.

The Board of Directors, to the extent specifically provided herein, may adopt and promulgate reasonable rules and regulations regarding the administration, interpretation and enforcement of the provisions of this Declaration and of the By-Laws. In so adopting and promulgating such rules and regulations, and in making any finding, determination, ruling or order, or in carrying out any directive contained herein relating to the issuance of permits, authorizations, approvals, rules and regulations, the

Board shall take into consideration the best interests of the Owners and of the Property to the end that the Property shall be preserved and maintained as a high quality community.

In granting any permit, authorization or approval as herein defined, the Board may impose any conditions or limitations thereon as it shall deem advisable under the circumstances in each case in light of the considerations set forth in the immediately preceding Paragraph hereof.

16.8 Headings. The headings of the Articles or any Section herein are for convenience only and shall not affect the meanings or interpretations of the contents thereof.

16.9 First Mortgage Liens. No violation of any of these Restrictions shall defeat or render invalid the lien of any first mortgage or building loan made in good faith and for value upon any portion of the Property; provided, however, that any mortgagee's foreclosure sale shall be bound and subject to these Restrictions as fully as any other Owner of any portion of the Property.

16.10 Covenants Run With Land. Each grantee accepting deed, lease or other instrument conveying any interest in any Lot, whether or not the same is incorporated or refers to this Declaration, covenants for himself, his distributees, successors and assigns to observe, perform and be bound by this Declaration and the By-Laws and to incorporate the same by reference in any deed or other conveyance of all or any portion of his or her interest in any real property subject hereto.

CERTIFICATE OF INCORPORATION

OF

THE HEDGES HOMEOWNERS ASSOCIATION, INC.

Under Section 402 of the Not-For-Profit Corporation Law

The undersigned, for the purpose of forming a Corporation pursuant to the Not-For-Profit Corporation Law of the State of New York, hereby certifies:

1. The name of the Corporation is THE HEDGES HOMEOWNERS ASSOCIATION, INC.

2. The Corporation has not been formed for any pecuniary profit or financial gain, and no part of the assets, income or profit of the Corporation is distributable to, or inures to the benefit of, its members, directors, or officers, except to the extent permitted under the Not-For-Profit Corporation Law.

3. The purposes for which the Corporation is to be formed are:

(a) To provide maintenance, preservation and control of the residential lots and common areas within that certain tract or property located in the Town of Webster, Monroe County, New York, commonly known as The Hedges Lakeside Villas Subdivision;

(b) To promote the health, safety and welfare of the residents within the above property and any addition thereto as may hereafter be brought within the jurisdiction of the Corporation;

(c) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Corporation as set forth in that certain Declaration of Covenants, Restrictions, Easements and Liens (hereinafter called the "Declaration") applicable to said property and to be recorded in the Monroe County Clerk's Office, and as the same may be amended from time to time as therein provided;

(d) To fix, levy, collect and enforce the payment of, by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses incident to the business of the Corporation, including all licenses, taxes or charges levied or imposed against the property of the Corporation;

(e) To acquire by gift, purchase or otherwise, own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of, real or personal property in connection the the affairs of the corporation;

(f) To borrow money and, with the consent of the members of the Corporation holding or constituting two-thirds (2/3) of the votes of the members of the Corporation, to mortgage, pledge, deed in trust or hypothecate, any or all of its real or personal property as security for money borrowed or debts incurred;

(g) To participate in mergers and consolidations with other not-for-profit corporations, organized for the same purposes;

(h) To have and exercise any and all powers, rights and privileges which a Corporation organized under the Not-For-Profit Corporation Law of the State of New York by law may now or hereafter have or exercise.

4. The corporation is a Corporation as defined in subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law. The Corporation is a Type A Corporation as defined in Section 201 of the Not-For-Profit Corporation Law.

5. The office of the Corporation is to be located in the County of Monroe and State of New York.

6. The Secretary of State is designated as the agent of the Corporation upon whom process of any action or proceeding against the Corporation may be served and the post office address to which the Secretary of State shall mail a copy of any process required by law is c/o Jeffrey O. Smith, 131 Parrish Road, Honeoye Falls, New York 14472.

7. The affairs of the Corporation shall be managed by a Board of Directors who need not be members of the Corporation. The number of Directors shall be not less than three (3). The number of Directors may be fixed by the By-Laws and changed by amendment of the By-Laws of the Corporation.

The names and addresses of the persons who will serve as the initial Directors of the Corporation until their successors are elected are:

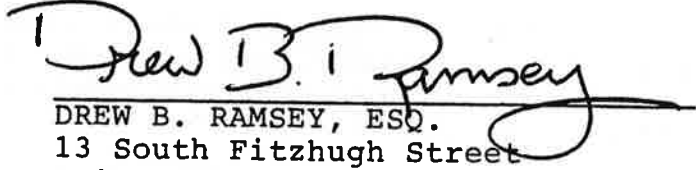
| <u>NAME</u> | <u>ADDRESS</u> |
|------------------|---|
| Jeffrey O. Smith | 131 Parrish Road Honeoye Falls, New York 14472 |
| Douglas M. Smith | 123 Fishers Road Pittsford, New York 14534 |
| Norma McMann | 6 Smethwick Court Pittsford, New York 14534 |

8. Every person or entity who is a record owner of a fee or undivided fractional fee interest in any lot which is subject to the Declaration, whether or not the Declaration makes such lot owners subject to assessments by the Corporation, shall be a member of the Corporation.

The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to, and may not be separated from, ownership of any lot which is subject to the Declaration and assessment by the Corporation.

9. The incorporator of this Corporation is a natural person at least eighteen (18) years of age.

IN WITNESS WHEREOF, I have executed, and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 12th day of January, 1989.


 DREW B. RAMSEY, ESQ.
 13 South Fitzhugh Street
 Suite 400
 Rochester, New York 14614

BY-LAWS
OF
THE HEDGES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

PURPOSE AND OFFICE

1.1 Purpose. THE HEDGES HOMEOWNERS ASSOCIATION, INC. has been formed for the purpose of owning, operating and maintaining, preserving and exercising architectural control of the Lots and Common Area of the Hedges Lakeside Villas Development exclusively for the benefit of its Members.

1.2 Office. The principal office of the Association shall be located at the site of the Development in the Town of Webster, Monroe County, New York.

ARTICLE II

DEFINITIONS

2.1 "Association" shall refer to THE HEDGES HOMEOWNERS ASSOCIATION, INC., its successors and assigns.

2.2 "Property" shall refer to the real property described in the Declaration of Covenants, Easements and Restrictions ("Declaration").

2.3 "Common Area" shall refer to all real property and facilities owned by the Association for the common use and enjoyment of the Owners.

2.4 "Lot" shall refer to any plot of land shown upon any recorded subdivision or resubdivision map of the Property, with the exception of the Common Area.

2.5 "Owner" shall refer to the record Owner, whether one or more persons or entities, of the title to any Lot which is part of the Property, but excluding those having such interest merely as security for the performance of any obligation.

2.6 "Sponsor" shall refer to Woodstone Custom Homes, Inc., its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Sponsor for the purpose of development.

ARTICLE III

MEMBERS AND MEETINGS

3.1 Membership. Membership in the Association shall include every person who is an Owner of a Lot which is subject by the Declaration to assessment by the Association. The Membership shall consist of two classes. Class A Members shall be all the Owners including the Sponsor. Each Class A Member shall be entitled to only one (1) vote regardless of the number of Lots or Units owned. When more than one person holds such interest or interests in any Lot, all such persons shall be Members and the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any such Lot. The Class B Member shall be the Sponsor, its successors and assigns. Until the Class B Membership terminates, the Class B Member shall be the only Class entitled to vote.

3.2 Assessments. As more fully provided for in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent; if the assessment is not paid within fifteen (15) days of the due date, it shall bear a late charge of TEN DOLLARS (\$10.00); if the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of one and one-half percent (1.5%) per month or the maximum rate of interest to be charged to individuals under applicable law, whichever is less. The Association may bring an action at law against the Owner personally obligated to pay the Assessment or foreclose its lien against the property, or both; and late charges, interest, costs and reasonable attorneys' fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise relieve himself from liability for the assessments provided for him by non-use of the Common Area or abandonment of his Lot or by renunciation of membership in the Association.

3.3 Annual Meetings. The annual meeting of the Members of the Association shall be held at the principal office of the Association on the first Friday in December of each year, if not a legal holiday, and if a legal holiday, then on the next succeeding Monday if not a legal holiday, or on such other date as the Board of Directors shall determine, for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting.

3.4 Notice of Annual Meetings. Notice of the time, place and purpose of the annual meeting shall be served, either personally or by mail, not less than ten (10), nor more than forty (40), days before the meeting upon each Member entitled to vote who appears upon the books of the Association as a Member

and, if mailed, such notice shall be directed to the Member at his or her address as it appears on the books of the Association, unless he or she shall have filed with the Secretary of the Association a written request that the notice intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request.

3.5 Special Meetings. Special meetings of the members, other than those regulated by statute, may be called at any time by the President or by two (2) directors, and must be called by the President on receipt of the written request of one-third (1/3) of the Members of the Association.

3.6 Notice of Special Meetings. Notice of a special meeting stating the time, place and purpose or purposes thereof shall be served personally or by mail upon each Member entitled to vote not less than five (5) nor more than forty (40) days before such meeting, and if mailed, such notices shall be directed to each Member at his or her address as it appears on the books or records of the Association, unless he or she shall have filed with the Secretary of the Association a written request that any notices intended for him or her shall be mailed to some other address, in which case it shall be mailed to the address designated in such request.

3.7 Place of Meetings. All meetings shall be held at the principal office of the Association, except in cases in which the notice thereof designates some other place.

3.8 Quorum and Votes Required. At any meeting of Members of the Association, the presence of one-half (1/2) of the Members entitled to vote thereat, in person or by proxy, shall be necessary and sufficient to constitute a quorum for all purposes, except as otherwise provided in the Declaration, the By-Laws or by statute, and the vote of a majority of the votes cast by Members present at any meeting at which there is a quorum shall be the act of the full membership, except as may otherwise specifically be provided by statute, the Declaration, or by these By-Laws.

3.9 Voting.

a) At every meeting of Members, each Member entitled to vote shall be entitled to vote in person or by proxy. Class A Members shall be entitled to one (1) vote even if they shall own more than one (1) Lot. Until the Class B Membership terminates, the Class B Members shall be the only Class entitled to vote. The vote for directors, and upon the demand of any Member, the vote upon any question before the meeting shall be by ballot. All elections shall be held and all questions decided by a majority of the votes cast by the members entitled to vote in person or by proxy.

b) When any Lot is owned by more than one person or entity as tenants by the entirety or as joint tenants, or as tenants in common, or any other manner of joint or common ownership or interest, such persons or entities, as Members, shall collectively be entitled to cast only one (1) vote, and if such persons or entities cannot jointly agree as to how such vote should be cast, no vote shall be allowed with respect to such Lot.

c) The Association's Board of Directors may make such reasonable regulations as it deems advisable for any meeting of Members in regard to proof of membership in the Association, evidence of right to vote, registration of Members for voting purposes, and such other matters concerning the conduct of the meetings and voting purposes.

d) The Board of Directors may issue rules specifying the method by which the Secretary shall be apprised of the names and addresses of all Owners and the number of votes to which each is entitled to cast at any meeting of the membership.

e) A Member entitled to vote may vote either in person or by proxy executed in writing by the Member, or by his or her duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the Member, or his duly authorized attorney-in-fact, and dated, but need not be sealed, witnessed or acknowledged.

f) At any meeting of Members, a full, true and complete list in alphabetical order of all Members entitled to vote in such meeting, certifying the number of votes each Member is entitled to cast, shall be furnished by the Secretary.

3.10 Waiver of Notice. Whenever, under the provision of any law, or under the provisions of the Certificate of Incorporation or By-Laws of this Association, the Association or the Board of Directors, or any committee thereof, is authorized to take any action after notice to the Members of the Association, or after the lapse of prescribed periods of time, such action may be taken without notice and without the lapse of any period requirements, provided such notice or the lapse of any period requirements must be waived in writing by the person or persons entitled to such notice, or entitled to participate in the action to be taken, or by his or her attorney-in-fact so authorized.

3.11 Inspectors of Election. If required by any Members, the President shall, at the annual meeting, appoint two (2) persons who need not be Members to serve as inspectors of election.

3.12 Compensation and Expenses. Members shall not receive any compensation for service rendered to the Association. The Board of Managers shall have the power, in its discretion, to

contract for and to pay to Members rendering unusual or special services to the Association, special compensation appropriate to the value of such services.

ARTICLE IV

DIRECTORS

4.1 Qualification. The business and property of the Association shall be managed and controlled by the Board of Directors, who shall be at least eighteen (18) years of age, and other than those designated or elected by the Sponsor during the period of control by the Sponsor as hereinafter provided for, shall be Members of the Association.

4.2 Control by Sponsor. The Sponsor's Class B Membership shall be terminated and be converted to Class A Memberships (as to each Lot then owned by Sponsor) immediately upon the expiration of five (5) years after the transfer of the first Lot or upon the transfer of the 38th Lot, whichever event first occurs. As a result of such termination, Sponsor shall no longer be entitled to select the directors, who shall then be elected in accordance with the By-Laws.

In addition, and notwithstanding anything to the contrary in the Declaration or the By-Laws on the numbers of directors, requirement of a quorum, or otherwise, for so long as Sponsor is entitled to select all of the directors, there may be only three (3) directors selected, none of whom need be a resident of The Hedges Lakeside Villas. Similarly, for so long as Sponsor is entitled to select any of the directors, the directors selected by Sponsor need not be residents of The Hedges Lakeside Villas.

For so long as Sponsor owns two or more unsold Homes, the number of directors on the Board of Directors shall not be increased without Sponsor's prior written consent.

Within thirty (30) days of the occurrence of the earlier of the following events: (a) one (1) year from the date of transfer of the first Lot or (b) the date on which Sponsor has transferred title to the 30th Home in The Hedges Lakeside Villas, Sponsor will, by written notice given in accordance with the terms of the By-Laws, convene a meeting of the Homeowners for the purpose of electing the Members of the Board of Directors. Thereafter, such election shall take place at an annual meeting of Homeowners each year. Sponsor shall be entitled to cast the votes for the election of directors until its Class B Membership shall be terminated.

4.3 Election and Term. At each annual meeting of Members, Directors shall be elected for a term of one (1) year by a plurality of votes cast, to hold office until the expiration of the term for which they are elected, and until their successors

have been elected and qualified. In all elections of Directors, each Member entitled to vote shall be entitled to as many votes as shall equal the number of Directors to be elected, and such Member may cast all of such votes for a single Director or may distribute them among the number to be voted for, or for any two or more of them, as such Member may see fit. Such right when exercised by a Member shall be termed cumulative voting in accordance with Section 617, Not-For-Profit Corporation Law.

4.4 Removal. Any or all of the Directors may be removed for cause by vote of the Members, or by vote of the Directors, provided there is a quorum of not less than a majority of the entire Board of Directors present at the meeting of Directors at which such action is taken. Any or all of the Directors may be removed without cause by vote of the Members.

4.5 Vacancies. Any vacancy in the Board of Directors occurring during the year may be filled for the unexpired portion of the term by the directors then serving, although less than a quorum, by affirmative vote of the majority thereof. Any director so elected by the Board of Directors shall hold office until the next succeeding annual meeting of the members of the Association, or until the election of his successor.

4.6 Organizational Meeting. Immediately after each annual election, the newly elected Directors shall meet at the principal office of the Association for the purpose of organization, the election of officers, and the transaction of other business, and if a quorum of the Directors be then present, no prior notice of such meeting shall be required to be given. The place and time of such first meeting may, however, be fixed by written consent of all the Directors.

4.7 Notice of Meetings. Notice of all Directors' meetings, except as herein otherwise provided, shall be given by mailing the same at least three (3) days, or by telegraphing the same at least one (1) day, before the meeting to the usual business or residence address of the director, but such notice may be waived by any director. Regular meetings of the Board of Directors may be held without notice at such time and place as shall be determined by the Board. Special meetings of the Board of Directors may be called by the President on the written request of any Member of the Board. Any business may be transacted at any directors' meeting. At any meeting at which every director shall be present, even though without notice or waiver thereof, any business may be transacted.

4.8 Chairman. At all meetings of the Board of Directors, the President, or in his absence, a chairman chosen by the directors present, shall preside.

4.9 Quorum. At all meetings of the Board of Directors, a majority of the directors shall be necessary and sufficient to constitute a quorum for the transaction of business and

the act of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Managers. In the alternative, unanimous written consent of the directors shall constitute the decision of the Board of Directors.

4.10 Contracts and Services. The directors and officers of the Association may be interested directly or indirectly in any contract relating to or incidental to the operations conducted by the Association, and may freely make contracts, enter transactions, or otherwise act for and on behalf of the Association, notwithstanding that they may also be acting as individuals, or as directors of corporations, or as agents for other persons or business concerns, or may be interested in the same matters as stockholders, managers, or otherwise; provided, however, that any contract, transaction, or act on behalf of the Association in a matter in which the directors, or officers are personally interested as stockholders, directors, or otherwise shall be at arm's length and not violative of the proscriptions in the Certificate of Incorporation against the Association's use or application of its funds for private benefit. In no event, however, shall any person or other entity dealing with the directors or officers be obligated to inquire into the authority of the directors and officers to enter into and consummate any contract, transaction, or other action.

4.11 Compensation. Directors shall not receive any compensation for their services as such. The Board of Directors shall have power, in its discretion, to contract for and to pay to directors rendering unusual or exceptional services to the Association special compensation appropriate to the value of such services.

4.12 Powers. All the Association powers, except such as are otherwise provided for in these By-Laws and in the laws of the State of New York, shall be and are hereby vested in and shall be exercised by the Board of Directors. Such powers shall include, but shall not be limited to, the following:

a) To adopt and publish rules and regulations governing the use of the Common Areas and facilities, the personal conduct of the members and their guests, and to establish penalties for the infraction thereof.

b) To suspend the right of a Member to use any recreational facilities owned by the Association during any period in which such Member shall be in default in payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed thirty (30) days for infraction of the published rules and regulations.

c) To authorize the officers to enter into management agreements with third parties in order to facilitate the efficient operation of the Property. It shall be the primary

purpose of such management agreements to provide for the administration, management, repair and maintenance of the Property, all improvements included therein and designated as Common Areas, the roofs and exterior walls of the Townhouses, and the receipt and disbursement of funds as may be authorized by the Board of Directors. The terms of these management agreements shall be determined by the Board to be in the best interests of the Association and shall be subject in all respects to the Certificate of Incorporation, these By-Laws, and the Declaration.

4.13 Duties. The Board of Directors shall present at the annual meeting of members and file with the Minutes thereof, a report, verified by the president and treasurer, or by a majority of the managers, showing (a) the whole amount of real and personal property owned by the Association, where located, and where and how invested; (b) the amount and nature of the property acquired during the year immediately preceding the date of the report and the manner of the acquisition; (c) the amount applied, appropriated or expended during the year immediately preceding such date, and the purposes, objects, or persons to or for which such applications, appropriations, or expenditures have been made; and (d) the names and places of residence of the persons who have been admitted to membership during the year. It shall be the duty of the Board of Directors to:

a) As more fully provided in the Declaration:

(1) To make and collect (i) an annual assessment for Common Expenses against the Homeowners to pay the cost of maintenance, repair, replacement, management and operation of The Hedges Lakeside Villas and (ii) such special assessments against the Homeowners for the improvement and alteration of any Common Utilities, or such other purpose or purposes as the Board deems advisable or required.

(2) To use the proceeds of all assessments in the exercise of its powers and duties.

(3) To assure the maintenance, repair, replacement, operation, management, improvement and alteration of Common Utilities and the Townhouses and Lots as set forth in the Declaration.

(4) To assure the repair and reconstruction of improvements after condemnation, or damage by fire or other casualty.

(5) To propose amendments to the Declaration and these By-Laws.

(6) To enforce the provisions of the Declaration and these By-Laws by equitable or legal means.

(7) To purchase and maintain insurance for the Association and, the Homeowners of The Hedges Lakeside Villas in accordance with the requirements of the Declaration.

(8) To adjust and settle, as agent for the Homeowners, all claims arising under the insurance policies purchased by the Board, and to execute and deliver releases upon the payment of claims.

(9) To act as Insurance Trustee and to hold and distribute insurance proceeds received in accordance with the terms of the Declaration.

(10) To pay the cost of any management fees, professional fees and other services rendered to The Hedges Lakeside Villas which are not billed directly to the Homeowners.

(11) To employ personnel for reasonable compensation, to retain or contract for the services required for the proper management and administration of The Hedges Lakeside Villas and to pay for the same.

(12) To contract for the management of The Hedges Lakeside Villas and to delegate to such manager the powers which are necessary for effective management.

(13) To borrow money for the benefit of The Hedges Lakeside Villas and the Homeowners to the extent permitted by the Declaration and by applicable law, and to execute and deliver in the name of The Hedges Lakeside Villas and the Homeowners, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges or other evidence of debt or security therefor.

(14) To open bank accounts on behalf of The Hedges Lakeside Villas and the Homeowners and to designate as signatories on such accounts the appropriate officer or officers of the Association.

(15) To acquire, on behalf of the Homeowners and in the name of the Board of Directors, or in the name of a designee, any Townhouse pursuant to the terms of the Declaration, and to convey, lease, mortgage or hold the same upon such terms and conditions as the board shall deem advisable.

ARTICLE V

OFFICERS

5.1 Number. The officers of the Association shall be the president, secretary, treasurer, and such other officers, with such powers and duties not inconsistent with these By-Laws,

as may be appointed and determined by the Board of Directors. Any two offices, except those of president and secretary, may be held by the same person.

5.2 Election, Term of Office and Qualifications. The president shall be elected annually by the Board of Directors from among their number, and the other officers shall be elected annually by the Board of Directors from among such persons as the Board of Directors may see fit, at the first meeting of the Board of Managers after the annual meeting of the members of the Association.

5.3 Vacancies. In case any office of the Association becomes vacant by death, resignation, retirement, disqualification, or any other cause, the majority of the directors in office, although less than a quorum, may elect an officer to fill such vacancy, and the officer so elected shall hold office and serve until the first meeting of the Board of Directors after the annual meeting of members next succeeding, and until the election of his successor.

5.4 President. The president shall preside at all meetings of members and the Board of Directors. He or she shall have and exercise general charge and supervision of the affairs of the Association and shall perform such other duties as may be assigned to him or her by the Board of Directors.

5.5 Secretary. The secretary shall have charge of such books, documents, and papers as the Board of Directors may determine, and shall have custody of the corporate seal. He or she shall attend and keep the minutes of all the meetings of the Board of Directors and members of the Association. He or she shall keep a record containing the names, arranged alphabetically, of all persons who are members of the Association, showing their places of residence, and such book shall be open for inspection as prescribed by law. He or she may sign, with the president, in the name and on behalf of the Association, any contract or agreements authorized or ordered by the Board of Directors, and when so authorized or ordered by the Board of Directors, he or she may affix the seal of the Association. He or she shall, in general, perform all the duties incident to the office of secretary, subject to the control of the Board of Directors, and shall do and perform such other duties as may be assigned to him or her by the Board of Managers.

5.6 Treasurer. The treasurer shall have the custody of all funds, property, and securities of the Association, subject to such regulations as may be imposed by the Board of Directors. He or she may be required to give a bond for the faithful performance of his or her duties, in such sum and with such sureties as the Board of Directors may require. When necessary or proper, he or she may endorse for collection on behalf of the Association, checks, notes, and other obligations, and shall deposit the same to the credit of the Association at such bank or

banks or depository as the Board may designate. He or she shall sign all receipts and vouchers and, together with such officer or officers, if any, as shall be designated by the Board of Directors, he or she shall sign all checks of the Association and all bills of exchange and promissory notes issued by the Association, except in cases where the signing and execution thereof shall be expressly designated by the Board of Directors or by these By-Laws to some other office or agent of the Association. He or she shall make such payments as may be necessary or proper to be made on behalf of the Association. He or she shall enter regularly on the books of the Association to be kept by him or her for that purpose, full and accurate account of all monies and obligations received and paid or incurred by him or her for, or on account of, the Association, and shall exhibit such books at all reasonable times to any director or Member upon application at the offices of the Association. He or she shall, in general, perform all the duties incident to the office of treasurer, subject to the control of the Board of Directors.

5.7 Compensation and Expenses. Officers shall not receive any compensation for their services as such. The Board of Directors shall have power, in its discretion, to contract for and to pay to an officer rendering unusual or exceptional services to the Association, special compensation appropriate to the value of such services. The fact that any officer is a member of an advisory committee shall not preclude him or her from receiving a salary or from voting on the resolution providing for the same.

5.8 Removal. Any officer may be removed from office by the majority vote of all the directors at any regular or special meeting called for that purpose, with or without cause. Any officer proposed to be removed shall be entitled to at least five (5) days notice in writing, by mail, of the meeting of the Board of Directors at which time such removal is to be voted upon, and shall be entitled to appear before and be heard by the Board of Directors at such meeting.

ARTICLE VI

ADVISORY COMMITTEE

The Board of Directors may appoint from their number, or from among such persons as the Board may see fit, one or more advisory committees, and at any time may appoint additional members thereto. The members of any such committee shall serve at the pleasure of the Board of Directors. Such advisory committees shall advise and aid the officers of the Association in all matters designated by the Board of Directors. Each such committee may, subject to the approval of the Board of Directors, prescribe rules and regulations for the call and conduct of meetings of the committee and other matters relating to its procedure.

The members of any advisory committee shall not receive any stated salary for their services as such. The Board of Directors shall have power, in its discretion, to contract for and to pay to any Member of any advisory committee rendering unusual or exception services to the Association, special compensation appropriate to the value of such services.

ARTICLE VII

FISCAL YEAR

The fiscal year of the Association shall commence on January 1st of each year and end on December 31st.

ARTICLE VIII

PROHIBITION AGAINST SHARING IN CORPORATE EARNINGS

No member, director, officer, or employee of, or person connected with the Association, or any other private individual, shall receive at any time, any of the net earnings or pecuniary profit from the operations of the Association; provided, however, that this shall not prevent the payment to any such person reasonable compensation for services rendered to or for the Association in effecting any of its purposes, or sharing in the distribution of any of the Association assets upon the dissolution of the Association.

ARTICLE IX

INDEMNIFICATION

To the extent permitted by law, the Association shall indemnify and defend any person made a party to any proceeding by reason of the fact that he or she is, or was, a director or officer of the Association, against any loss and expense incurred by him or her by reason of such proceeding, including the settlement thereof, except in relation to matters where such person is adjudicated to be liable for gross misconduct in the performance of his or her duties.

ARTICLE X

AMENDMENT

Subject to the restrictions contained herein, the By-Laws may be altered, amended or repealed at any meeting of members of the Association by an affirmative vote of two-thirds (2/3) of all votes cast by the members entitled to vote, represented either in person or by proxy at such meeting, provided that (i) a full

statement of the proposed amendment is inserted in the notice of such meeting, and (ii) said amendment shall be set forth in a duly recorded amendment to the Declaration, except these By-Laws may not be amended prior to five (5) years from the date of recording the Declaration without the express written consent of Sponsor, its successors or assigns. However, no amendment will affect or impair the validity or priority of a Lot Owner's fee simple interest or the mortgagee interest of the holder of any mortgage encumbering any Lot.

ARTICLE XI

DISSOLUTION

11.1 Subject to the restrictions contained herein, the Association may be dissolved by action of the members at any meeting of members of the Association by an affirmative vote of two-thirds (2/3) of all votes cast by the members entitled to vote, represented either in person or by proxy, provided that the proposed action is inserted in the notice of such meeting, except that no action to dissolve this Association may be taken within the period of five (5) years from the date of recording the Declaration, without the express written consent of Sponsor, its successors or assigns.

11.2 Upon the dissolution of the Association, the assets, both real and personal, of the Association shall be dedicated to an appropriate governmental body or agency to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any not-for-profit corporation, association, trust or other organization to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by the Association. No such disposition of the Association's property shall be effective to divest or diminish any right or title of any Member vested in or by the Declaration and deed applicable to his property unless made in accordance with the plan of dissolution. The covenants, restrictions and agreements contained in the Declaration, other than those applying to assessments, shall remain in full force and effect. It shall be a requirement of the Association, prior to its dissolution, to establish an appropriate authority or corporation for enforcing such covenants, restrictions and agreements.

ARTICLE XII

RESTRICTIONS

In addition to restrictions in the Declaration and the other provisions of these By-Laws, the Board of Directors may,

from time to time, adopt rules and regulations governing the use of the Common Area and the conduct of all residents and guests on the Property.

ARTICLE XIII

CONTRACTS, CHECKS, DRAFTS AND BANK ACCOUNTS

13.1 Execution of Contracts. The Board of Directors, except as in these By-Laws otherwise provided, may authorize any officer or officers, agent or agents, in the name of and on behalf of the Association, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; but unless so authorized by the Board of Directors, or expressly authorized by these By-Laws, no officer, agent or employee shall have any power or authority to bind the Association by any contract or engagement, or to pledge its credit or to render it liable financially in any amount for any purpose.

13.2 Loans. No loans shall be contracted on behalf of the Association unless specifically authorized by the Board of Directors.

13.3 Checks, Drafts, etc. All checks, drafts and other orders for the payment of money out of the funds of the Association, and all notes or other evidences of indebtedness of the Association, shall be signed on behalf of the Association in such manner as shall from time to time be determined by resolution of the Board of Directors.

13.4 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE XIV

OFFICE AND BOOKS

14.1 Office. The office of the Association shall be at the Home of the then president of the Association or at such place in the County of Monroe, State of New York, as the Board of Directors may determine.

14.2 Books and Records. There shall be kept at the office of the Association (1) correct and complete books and records of account, (2) minutes of the proceedings of the Members and the Board of Directors, (3) a current list of the Directors and officers of the Association and their residence addresses, (4) a list of record containing the names and

addresses of all Members and the number of membership certificates (if any) held by each and the date when they respectively became the holders of record thereof and (5) a copy of these By-Laws.

ARTICLE XV

MISCELLANEOUS

15.1 Severability. Should any of the covenants, terms or provisions herein imposed be void, or be or become unenforceable at law or in equity, the remaining provisions of these By-Laws shall, nevertheless, be and remain in full effect.

15.2 Construction. Whenever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine or neuter, singular or plural, wherever the context so requires. In the event of any conflict between these By-Laws and the Declaration or Certificate of Incorporation of the Association, the latter, as the case may be, shall control.