

PART I
INTRODUCTION

This Offering is being made by Ontario Heights Development, Inc. (hereafter "Sponsor" or "Declarant"). In 1986, Sponsor acquired title to the property being developed.

The property to be developed is located on Rawson Road in the Town of Victor and Village of Victor, New York (Ontario County) and is hereafter referred to as "Drumlins Subdivision" or the "Subdivision". The Subdivision, when and if completed, will consist of two hundred thirty-seven (237) single family residences which will be built in approximately seventy-five (75) free standing buildings, each containing between two and six attached residential units. The initial phase of the project will include sixty (60) residences. Subsequent phases, as presently contemplated by Sponsor, will include a total of one hundred seventy-seven (177) additional units, as follows: Phase 2, 44 units, phase 3, 45 units; phase 4, 42 units; and phase 5, 46 homes.

All of the land within the Subdivision except the roads to be constructed providing access to the Subdivision from Rawson Road will be owned in fee by either The Drumlins Homeowners' Association, Inc., (hereafter the "Association") or by the individual Lot owners. These access roads will be dedicated to the Town of Victor. The Site Plan attached as Exhibit E shows what road will be so dedicated.

The owner of each residential unit will acquire title to the fee interest in the unit and the land on which the unit is built (hereafter the "Lot"). The lot lines of each owner's parcel will coincide with the center line of the party wall where

his unit joins a neighboring unit and will include land surrounding his unit as shown for each Lot on the Site Plan attached as Exhibit E.

All owners of Lots in the Subdivision, as defined in a certain Declaration of Covenants, Conditions and Restrictions (hereafter the "Declaration") to be recorded in the Ontario County Clerk's Office prior to the transfer of title to the first Lot, will automatically become members of the Association. The Association is a corporation formed under the Not-For-Profit Corporation Law of the State of New York for purposes of owning and maintaining the common property and maintaining the exteriors of all individual residential units and the lawn areas within individual Lots. Upon the sale of any Lot, the membership of the former owner is automatically terminated and the new owner automatically becomes a member of the Association.

There are no fees or dues for membership in the Association. All prices for Lots are set by Sponsor and are not subject to review or approval by the Department of Law or any other governmental agency.

The Association will provide for private road maintenance, will provide snow removal for all private roads and driveways, and will contract with a private disposal agency for the collection and removal of refuse from the Subdivision. Police protection will be provided by the Ontario County Sheriff's Department. Fire protection will be provided by the Victor Fire Department.

See Am# 2

water will be supplied to the Assoc and to the owners by the Village of Victor. The H2O mains will be constructed to standards of the Village of Victor and shall be dedicated to the Village. The Village will maintain the water mains & hydrants.

Water for Phase One will be supplied to the Association and the Owners by the Village of Victor. ~~The water for subsequent phases will be supplied by the Town of Victor Water District.~~ The mains will be constructed according to Water District standards. The mains will be dedicated to the respective Water Districts, which will maintain all water mains and hydrants and easements granted to the Districts.

Sanitary sewers for Phase One will be connected to the Village of Victor Sewer System. All internal sewers and manholes will be dedicated to the Village of Victor for ownership and maintenance. All sewerage will be piped to the Village of Victor Waste Water Treatment Plant.

The property which is subject to this Offering Plan is bounded by privately owned property. None of the adjoining property is owned by Sponsor or any principal of Sponsor, except for certain property adjoining the Subdivision on the South. The Sponsor intends that this property will be used for the development of single family homes, which will not be a part of The Drumlins Subdivision.

All of the adjacent property is zoned single family residential (R-2 in the Town of Victor and R-1 in the Village of Victor), except certain property zoned industrial across Rawson Road from the Subdivision.

The Subdivision will have access to Rawson Road by means of a public road or roads to be dedicated to the Town of

Victor. Private roads and driveways within the Subdivision will connect with said public road or roads.

The purpose of this Offering Plan (hereinafter the "Plan") is to set forth all of the terms of the offer concerning the Association. The Plan may be altered from time to time by proper amendments filed with the Department of Law. All amendments will be served on purchasers and members of the Association.

The Plan contains all of the detailed terms of the transaction as it relates to the Association. Certain exhibits designated Parts A, B and C have been delivered to the Department of Law. These exhibits contain all of the documents referred to in the Plan. Copies of the Plan and Parts A, B and C will be available for inspection without charge to prospective purchasers and their attorneys at the office of Sponsor.

THE PURCHASE OF A HOME ASSOCIATED WITH MANDATORY MEMBERSHIP IN A HOMEOWNERS ASSOCIATION HAS MANY SIGNIFICANT LEGAL AND FINANCIAL CONSEQUENCES AND MAY BE ONE OF THE MOST IMPORTANT FINANCIAL TRANSACTIONS OF YOUR LIFE. THE ATTORNEY GENERAL STRONGLY URGES YOU TO READ THIS OFFERING PLAN CAREFULLY AND TO CONSULT WITH AN ATTORNEY BEFORE SIGNING A CONTRACT OF SALE.

There is no minimum number of contracts of sale which must be signed before Sponsor subjects the property to the covenants, easements and restrictions as set forth in the Plan, records the Declaration establishing the Association, and commences the conveying of title to Lots.

SCHEDULE A

PROJECTED BUDGET FOR FIRST YEAR OF OPERATION
OF THE HOMEOWNERS' ASSOCIATION

The first year of operation for the Association is expected to be from June 1, 1987 to May 31, 1988. During the first year of operation, it is anticipated that Sixty (60) Lots will be sold and thus there will be Sixty (60) Association members in addition to the Sponsor. The estimated monthly common charge per Association member is \$82.02 for the first year. The monthly common charge will not change during the first year of operation. In terms of today's dollars and based on the same services as specified in the projected budget, the monthly common charge for each homeowner is not expected to increase as the number of homes in the Project increases. Monthly common charges are due on the first of each month, and common charges are uniform for each Lot.

SCHEDULE A

THE DRUMLINS HOMEOWNERS ASSOCIATION, INC.

Projected Schedule of Receipts and Expenses
Fiscal Year 6/1/87 - 5/31/88

Projected Income: (\$984.25 per unit per year, payable monthly at
\$82.02 per month, based on 60 units)

Total \$59,055.00

1. Electricity for Common Property	2,080.00
2. Water and Sewer	425.00
3. Management	2,000.00
4. Repairs and Maintenance:	
A. Buildings	1,000.00
B. Grounds (trees, shrubs, lawns)	13,000.00
C. Driveways	500.00
5. Service Contracts	0.00
6. Supplies and Office Equipment	500.00
7. Snow Removal	8,000.00
8. Refuse Removal	4,000.00
9. Insurance	17,000.00
10. Accounting	1,500.00
11. Legal	500.00
12. Taxes:	
A. Real Estate	0.00
B. Franchise and Corporate	550.00
13. Reserve for Maintenance	6,000.00
14. Reserve for Contingencies	2,000.00
 TOTAL	 \$59,055.00

THE DRUMLINS HOMEOWNERS ASSOCIATION, INC.

FOOTNOTES TO SCHEDULE A

1. Electricity for the Common Property - The main drive from Rawson Road to Cambridge Circle and the roadways adjacent to the dwelling units will be serviced by pole lights with 150 watt high pressure sodium fixtures spaced approximately every 150 feet. The lamps will be independently photo electric cell controlled and operate during the hours of darkness throughout the year. Ronald Billitier Electric Company, 31 Sunset Street, Rochester, New York, has estimated that the annual expense for these lamps will be \$2080.00.

Electricity consumed within the dwelling unit will be separately metered and the unit owner will pay for same directly to the appropriate power authority.

2. Water and Sewer - Water for the entire property is master metered and each unit owner in the Homeowner's Association will pay for domestic water service directly to the ~~Town of Victor Water Authority~~. Sponsor has estimated that the property will consume approximately 150,000 gallons of water for landscape purposes only, and the Association will pay for this usage. At the current ~~Town of Victor Water Authority~~ residential rate of \$1.75/1000 gallons, the total estimated annual cost for water (including a base charge of \$2.50 per quarter per meter) will be approximately \$425.00.

Village of Victor

see amend #2

3. Management - The management agent shall be the Ontario Heights Management Company, a wholly owned subsidiary of the Sponsor/Developer. The management fee has been established by the Sponsor. The fee includes supervision of all maintenance work and services, negotiation and placement of service contracts, assistance in the preparation of the annual budget, maintenance of the books, and records necessary for the collection and disbursement of common charges, and other activities normally related to professional fee management of a Homeowners' Association. A contract for these services will be in effect for the period of one year from January 1, 1987 to December 31, 1987. The management fee is lower than the prevailing rate in the Rochester, New York area and it is possible that the cost will increase, if sponsor ceases to control the Association. Sponsor estimates that independent, professional management for the Homeowners Association would cost approximately \$12,000.

4. Repairs and Maintenance

A. Buildings - This item includes projected maintenance of the exterior of the buildings in an amount of \$1,000.00 which, according to Sponsor's estimates, should cover all building maintenance required during the first year of operation which is not covered by warranty. In future years, building maintenance

such as painting, staining, roof repairs, etc. will be budgeted in accordance with the then current needs. Painting and staining of buildings is normally completed over a 5 to 7 year cycle. Minor roof repairs, in the unlikely event that they should be required, would take place as needed. All items of this type would, in the future, have to be paid for with operating funds.

B. Grounds - Estimate is based upon a proposed full service maintenance contract with John Lense Landscaping, Inc., 485 Manse Lane, Rochester, New York. The proposed Phase I contract will provide for lawnmowing and edging, fertilization, insect and weed control, pruning and trimming of shrubs, seasonal cleanup, seeding and aeration over the complete spring, summer and fall growing season. The contract will include maintenance of all Phase I trees, shrubs, and lawns which will be installed by Sponsor.

C. Driveways - All driveways and roadways are asphalt and constructed according to standard specifications which call for a gravel base, two inches of asphalt binder, and a one inch asphalt topcoat. Sponsor has estimated a nominal amount to sweep the driveways and roadways, inspect them for damage or deterioration and make minor repairs as needed. The main roadway servicing the Homeowners' Association will be built to standard subdivision specifications and dedicated to the Town of Victor. The Town will provide maintenance and repairs to the roadway as well as snow removal services.

5. Service Contracts - The projection for grounds maintenance is based upon an estimate received from John Lense Landscaping, 485 Manse Lane, Rochester, New York, for a total contract sum of \$13,000. The contract for snow removal is based upon a quote provided by the Brighton Pittsford Paving Company, 35 Chilmington Lane, Pittsford, New York. All maintenance work will be performed by employees of the contractor so the Association will not have to hire any of its own employees for such purposes. The total amount of these service contracts is reflected in sections 4B, 7 and 8.
6. Supplies and Office Equipment - A nominal amount has been estimated by Sponsor and budgeted to provide necessary office and bookkeeping supplies, postage, stationery, and communication to homeowners.
7. Snow Removal - The projected expense for a full winter season of snow removal and salting as needed from the driveways and roadway areas of the property is based upon an estimate provided by the Brighton Pittsford Paving Co. Included in the projections, is an additional cost of \$1,000 for rock salt applications to driveways on an as needed basis.
8. Refuse Removal - The Sponsor estimated expense for a one time per week removal of containerized refuse placed in front of the garage doors is based upon the average cost for this service experienced by other homeowner associations in the Rochester area.

9. Insurance - The association will carry a master insurance policy providing fire and extended coverage on an all risk basis on all of the units and liability insurance protecting the Association. As currently quoted, the master policy will be a special multi-peril policy to which each unit is added as it is transferred at an annual premium of approximately \$0.30/\$100 of value pro-rated to the policy expiration date of December 31, 1987. The total blanket policy on the 60 homes will be in the amount of \$4,251,000. There will be a \$1000 deductible.

The amount of the coverage is based upon 100% of estimated replacement costs for the homes and garages exclusive of land, underground utilities, and foundation (\$ 70,850 per unit). Liability insurance coverage will be comprehensive, general public liability in the amount of \$1 million. The estimated annual premium is \$17,000. The estimated insurance expense is based on a quote from the by Marsh McLennan, Inc. Insurance Agency, , One City Center, Rochester, New York, to cost \$17,000 per year.

10. Accounting - This item is an estimate of the cost for routine accounting services including a certified annual report and required tax reports by a professional accountant and the cost of duplicating and distributing copies of same to individual homeowners. Included in this budget is a \$500 fee associated with setup costs. This estimate is provided by William J. Walsh, CPA, 50 Niagara Street, Canandaigua, New York.

11. Legal - Jerry Goldman, Esq., 47 S. Fitzhugh Street, Rochester, New York, has estimated that the corporate books of the Homeowner's Association can be maintained and its other legal matters handled for \$500 during the first year of operation. This cost is considered as a contingency fund for routine advice or letters from counsel on matters pertaining to interpretations of the Declaration or By-Laws.

12. Taxes

A. Real Estate Taxes - As indicated by Leo Condon, Assessor for the Town of Victor, New York. No tax will be assessed directly against the common areas of the property.

B. Franchise and Corporate Tax - Tax counsel for Sponsor, Harris, Beach, Wilcox, Rubin & Levey, 130 E. Main Street, Rochester, New York, has estimated that the property will be subject to New York State Franchise Tax and Federal Income Tax in the amount of \$550.00.

13. Reserve for Maintenance - The amount of \$100/unit/year has been allotted to reserve for future replacements and capital improvements based on Sponsor's best estimates of future needs. This fund is distinguished from the contingency fund as stated below in Footnote #14 and is accumulated as a working capital fund

to provide the Homeowner's Association with the monies for capital items and/or emergencies. Since the roofs, sidings and asphalt areas of the property will be newly constructed, it is not likely that major capital repairs will be necessary during the first five years. However, the details of the individual reserve items as they apply to the entire property are as follows: roof - first quality work and materials, estimated life in excess of 20 years, estimated replacement cost \$1,450/unit; siding - channel rustic cedar with estimated life of 20 years, largest unit will contain approximately 3,200 square feet of siding with a replacement cost of \$4,325. Total estimated replacement cost of exterior building materials covered by a reserve fund equals \$346,500. Total estimated pavement area of main roads and parking facilities for Phase I equals 86,000 square feet. Asphalt has an estimated useful life in excess of 20 years with an estimated current value of \$129,000. The total of the above items to be funded from reserves is \$475,500, exclusive of inflation. Estimated scheduled deposits to reserves for all phases are as follows:

Phase I	Year 1 @ \$100/unit/year x 60 units	\$6,000
	Year 2 @ \$100/unit/year x 60 units	6,000
	Year 3 @ \$125	7,500
	Year 4 @ \$130	7,800
	Year 5 @ \$135	8,100
	Years 6-10 @ average of \$200/unit/year =	60,000
	Years 11-20 @ average of \$240/unit/year =	<u>144,000</u>
Total Phase I 20 year additions exclusive of interest or early use of funds		\$239,400

NOTE: At the time of replacement, should the established reserves be insufficient to fund the entire cost, there exists the possibility of a special assessment. (NEITHER THE DEPARTMENT OF LAW NOR ANY OTHER GOVERNMENT AGENCY HAS PASSED UPON THE ADEQUACY OF THESE FUNDS.)

14. Reserve for Contingencies - Sponsor has estimated \$2,000 for unanticipated contingency. This amount may be used at the discretion of the Board of Directors to make up deficits in other items of the budget and, thus, it may not be available at the end of the year or sufficient to pay for major capital repairs or replacement items (see footnote #13).

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May 1, 1987

Ontario Heights Development, Inc.
P.O. Box 36
Victor, New York 14564

Re: The Drumlins Homeowners' Association, Inc.

Gentlemen:

You have requested us to render an opinion as to the various legal matters described below for inclusion in an Offering Plan for the Drumlins Homeowners' Association, Inc. (the "Association") which will be filed with the New York Attorney General pursuant to Part 22 of Volume 13 of the New York Codes, Rules and Regulations.

As the basis for our opinion, we have examined the Offering Plan for the Association dated May 1, 1987 and the Exhibits referred to therein and attached thereto, including the Association's Certificate of Incorporation and Bylaws and the Declaration of Covenants, Conditions and Restrictions governing the Association's property. We have also examined the applicable federal and New York State tax laws, regulations, rulings and judicial decisions relevant to our opinion.

Under present law, regulations, rulings and judicial decisions and based on the terms of the Offering Plan, it is our opinion that:

1. The Declaration of Covenants, Conditions and Restrictions, when recorded in the Office of the Clerk of the County of Ontario, will be legal and valid.
2. The members of the Association will not be entitled to deduct any portion of association membership dues, fees or assessments for federal or New York State income tax purposes.

3. The Association's eligibility to qualify as a tax-exempt homeowners association described in section 528 of the Internal Revenue Code of 1954, as amended, will depend upon its ability to meet various tests which can be definitively applied only after the close of each taxable year. For example, 60% or more of the gross income of an exempt homeowners association must consist solely of amounts received as membership dues, fees or assessments, and 90% or more of its expenditures must be for the acquisition, construction, management, maintenance and care of association property. In the present case, it appears from the budget projections for the first year of operation of the Association that it will fail to meet the 90% expenditure requirement, but if in fact it meets that test and the other applicable standards under section 528 during a particular year, it may elect exempt status by filing a Form 1120-H Income Tax Return with the appropriate office of the Internal Revenue Service on or before the fifteenth day of the third month after the end of that taxable year. However, even a section 528 organization is exempt only to the extent of its exempt function income, defined by section 528(d)(3) to mean any amounts received as membership dues, fees, or assessments from owners of real property within the Association. Net income of other types, as described in section 528(d)(1) and subject to the modifications set forth in section 528(d)(2), will be taxable at a flat rate of 30% pursuant to section 528(b).

4. Section 277 of the Internal Revenue Code applies only to organizations which are not exempt from taxation and will not apply to the Association if it qualifies under section 528, as described above. If the Association does not so qualify for exemption, under section 277 its deductions for each particular taxable year attributable to furnishing services, insurance, goods, or other items of value to its members will be allowed only to the extent of the income it derives during such year from its members or transactions with them. If for any taxable year such deductions exceed such income, the excess will be treated as a deduction attributable to furnishing services, insurance, goods or other items of value to its members paid or incurred in the succeeding taxable year. In addition, the deductions provided by sections 243, 244 and 245 of the Internal Revenue Code (relating to dividends received by corporations) will not be allowed to the Association if it is subject to section 277.

5. The Association's property and the lots sold in conjunction with the Association and the homes to be constructed thereon, if built in accordance with the plans and specifications, will conform to applicable zoning ordinances and status.

6. Even if the Association qualifies for tax-exempt status under section 528 of the Internal Revenue Code, it will not be exempt from New York State and local sales taxes.

7. Even if the Association qualifies for tax-exempt status under section 528 of the Internal Revenue Code, it will be liable for New York State franchise taxes. The Association's franchise tax liability will be determined by making several alternative calculations, with the one producing the highest tax controlling. If the Association qualifies for tax-exempt status under section 528 of the Internal Revenue Code, federal taxable income as determined under section 528(d) will be used in making the alternative franchise tax calculations based on the net income of the Association. Thus, those computations will exclude from franchise taxes the exempt function income the Association derives from membership dues, fees and assessments.

We express no opinion with respect to any matters not expressly set forth herein, and our opinion is based solely on the facts and documents referred to above. Although we have assisted in the preparation of the Offering Plan and the Exhibits referred to therein and attached thereto, we have not independently verified the accuracy, completeness and fairness of the factual information contained therein, and, accordingly, we express no opinion as to whether the Association has made any untrue statements of any material fact necessary in order to make any statements made, in light of the circumstances under which they are made, not misleading.

This opinion is based solely on the facts and documents. No warranties are made that the laws, regulations, rulings or judicial decisions upon which we have based our opinion will not change. In no event will the sponsor, the sponsor's counsel, the Association, the Association's counsel, the selling agent or any other person be liable if, by reason of future changes in fact or applicable law, regulations, rulings, or judicial decisions, the status of, or the rules governing, the Association shall cease to be as opined above.

Very truly yours,

HARRIS, BEACH, WILCOX,
RUBIN AND LEVEY

By: Stephen H. Waite
Stephen H. Waite

DESCRIPTION OF COMMON AREAS AND FACILITIES TO
BE OWNED OR MAINTAINED BY THE HOMEOWNERS'
ASSOCIATION.

Upon completion of the Subdivision, the Association will own all of the land and the improvements in the Subdivision other than the individual Lots on which residential units are constructed and the roads dedicated to the Town of Victor. No buildings or facilities are contemplated on the Association property.

The Association property will be further improved by roads, driveways, gutters, catch basins, parking areas, water and sewer lines and common area lighting. The location of all roads and driveways in Phase I of the Subdivision is shown on the Site Plan attached as Exhibit E. All unimproved Association property will be landscaped by Sponsor as construction proceeds. Except for the access roads shown on the Site Plan (Exhibit E) as dedicated to the Town of Victor, the roads will be owned and maintained by the Association. These roads will not be built to Town or Village specifications for public roads, but will be built to specifications for private roads. A detailed description of the roads is contained in Exhibit I, the engineer's report on the property. No bonds have been posted for completion of the work described in this paragraph.

At the time of filing the Subdivision Plan, the common area will be comprised of all Subdivision lands pertaining to

Phase I of the Subdivision not included in a Lot as shown on the Subdivision Plan for Phase I, (MRB Group, Site Plan, The Drumlins, dated June 18, 1986 and revised October 15, 1986). Following construction of each building, the actual building walls, exterior and common interior will be located by an instrument survey. If necessary, a resubdivision map will then be prepared and filed by Sponsor defining the Lots according to the actual building wall locations. The Lots will then be conveyed to the unit purchasers and the land located outside of Lots as shown on the resubdivision plan will be owned by the Homeowners' Association.

Sponsor contemplates completing sixty (60) Lots initially and, prior to conveyance of the first Lot and its unit, Sponsor will complete construction of all streets, driveways and parking facilities serving the unit or the building in which the unit is located and any other facilities that are vital to the health and safety of the owners and which pertain to the first phase of sixty (60) units. (See "Obligations of Sponsor.") Development of common areas not pertaining to the first phase of sixty (60) units may be accomplished later, related to the construction of additional units in subsequent phases.

THE HOMEOWNERS' ASSOCIATION

The Drumlins Homeowners' Association, Inc. was formed on July 10, 1986 under the Not-for-Profit Corporation Law of the State of New York. The Association is a Type "A" corporation under that law. The Certificate of Incorporation of the Association is set forth as Exhibit B. The Declaration of Covenants, Conditions and Restrictions, set forth as Exhibit A, provides the framework and procedures by which the Association, upon conveyance to it of common area properties by Sponsor, will maintain and administer the properties owned by the Association. The Association's Bylaws and Rules, which govern the operation of the Association, are set forth as Exhibit C.

Set forth below is a summary of the effects of the Declaration, the Association's Certificate of Incorporation, and the Association's Bylaws and Rules. Reference should be made directly to these documents, attached as exhibits hereto, for a complete understanding of their provisions.

Prior to the conveyance of the first Lot in the Subdivision, Sponsor will record the Declaration of Covenants, Conditions and Restrictions which will affect the land in the Subdivision. Each Lot in the Subdivision will be conveyed subject to the Declaration and each purchaser will become a member of the Association. By the terms of the Declaration, ownership of a Lot mandates membership in the Association. There will be no members

of the Association other than Lot owners, and all Lot owners will automatically become members.

All Lots are subjected to the Declaration in order to guarantee maintenance of a uniform standard of care for all units and to provide owners with assurance that certain services and amenities are provided for all owners in the Subdivision. There will be a minimum of sixty (60) Lots whose owners are members of the Association and a maximum of two hundred thirty-seven (237) Lots whose owners are members of the Association if Sponsor completes the project as contemplated. Although Sponsor contemplates completion of all phases within seven (7) years after commencement of the first phase there is no time limit placed on Sponsor for completion.

The Declaration shall run with the land and be effective for a thirty (30) year period following the recording of the Declaration. The Declaration will automatically be extended for additional successive ten (10) year periods unless the owners of at least seventy-five percent (75%) of the Lots elect to change the covenants. X

There are no restrictions on who may purchase a Lot initially and become a member of the Homeowners' Association except that occupancy is limited to single family use. The Declaration and the Rules and Regulations of the Association do, however, contain numerous restrictions related to the use of the premises. For example, no alterations may be made to the exterior of the units without prior consent of the Board of the Association

or its duly appointed architectural committee. In addition, the Lot owner may not plant any trees, hedges, shrubs, flowers or plantings of any kind, except in the patio area, if any, for each unit. No outside pens, fences, chains, hedges or walls may be erected. No obstructions or articles shall be placed on the properties. No boats, trailers, housecars, motorcycles, bicycles or motor vehicles of any kind may be parked at the premises except within the garages. No garage sales may be held. No animals shall be kept at the premises except for a single dog, cat or other domesticated household pet, which must be leashed. Window air conditioning units, exterior antennas, clothes poles and other types of exterior additions or embellishments are prohibited. There shall be no commercial activity at the premises and no advertising or political signs may be posted on the premises.

*see
and
#2.3*

Each Lot shall be conveyed subject to certain easements as more particularly set forth in the Declaration. An easement is reserved to all public authorities and utility companies over any part of the property.

Additional easements have been created for any encroachments caused by construction, settling and overhangs for all buildings constructed by Sponsor as well as any buildings which may be rebuilt due to fire loss or other destruction.

Finally, a blanket easement is established over all the property subject to the Declaration for installation, maintenance

and repair of all utilities and for the entry by the Association or its agent to maintain and repair the improvements as needed.

Any land or construction loan mortgage on any part of the Subdivision will be subordinate to the Declaration, or it will include a covenant which will insure the Association's and/or the owners' undisturbed use of the premises for the purposes described in the Plan even in the event of foreclosure.

Fire and casualty insurance will be maintained by the Association and the cost of said insurance will be included in the common charges billed to owners. The individual owner is advised to carry his own contents and public liability insurance. Sponsor recommends that any contents policy be written with the same company (not necessarily the same agent) as the master insurance policy.

Any purchaser of property in the Subdivision will take title subject to the Declaration. However, any mortgagee who acquires title through foreclosure or by deed in lieu of foreclosure will take title free and clear of the lien for delinquent common charges. It will be liable, however, for common charges which accrue after it takes title.

The Association will be run by a Board of Directors consisting of three (3) members. These directors need not be members of the Association. The initial directors will be selected by Sponsor who will have exclusive power to vote as a member until all two hundred thirty-seven (237) of the Lots have been transferred or seven (7) years after the first Lot is transferred, whichever first occurs, at which time Sponsor and each other

member will have one vote. After Sponsor's right to select the directors has terminated, directors will serve for a three (3) year term and they may be removed by majority vote of the members of the Association. The directors shall meet on a monthly basis at a time and place as set by resolution of the Board. The first meeting of the Board of Directors will be held within ninety (90) days after the transfer of title to the first Lot.

The initial Board of Directors shall consist of:

Tammy B. Figler
Ontario Heights Development, Inc.
7201 Rawson Road
Victor, New York 14564

John G. Turner
President
Ontario Heights Development, Inc.
7201 Rawson Road
Victor, New York 14564

Henry M. Hansen
Secretary/Treasurer
Ontario Heights Development, Inc.
7201 Rawson Road
Victor, New York 14564

John G. Turner, Henry M. Hansen and Daniel J. Wegman are principals of the Sponsor as explained further below.

Sponsor may not exercise its control of the Board to reduce the level of services described in the Offering Plan or prevent capital repairs or expenditures required to comply with applicable laws and regulations.

The Board of Directors shall elect a president, a vice president, a secretary and a treasurer. The term for an officer

one (1) year. Officers may be removed by the Board of directors with or without cause.

When all two hundred thirty-seven Lots have been transferred or seven (7) years after the first Lot is transferred, ever first occurs, each Lot owner (or the owners jointly, if is owned by more than one individual) shall be entitled to vote in the operation of the Association. The activities of Association shall be governed by a majority vote of the owners. However, special assessments may be made only with the concurrence of two-thirds of the members entitled to vote. The Declaration may be amended only by an instrument signed by not less than ninety percent (90%) of the Owners until thirty (30) years after the recording of the Declaration and not less than seventy-five percent (75%) of the Owners thereafter.

Each Lot will be subject to an annual assessment for common area maintenance, insurance and related expenses as well as special assessments for capital improvements, as needed. The assessments will be levied on an annual basis as set by the Association's Board of Directors. The assessments will be levied by the Board no later than December 1st of each year of the succeeding year. The annual assessment shall be paid by the owner in monthly installments on the first day of each calendar month. Assessments will be pro-rated for each purchaser on the date of closing.

Special assessments for the purpose of paying for capital improvements may be imposed by the Board with the assent of at least two-thirds of the members entitled to vote.

The annual assessments and any special assessments shall be paid equally by all Lot owners.

All assessments and special assessments are the personal obligation of the owner and, in addition, are liens against owner's Lot. If the assessment is not paid when due the owner is in default and the assessment will bear interest at the maximum legal rate after thirty (30) days following the due date. In addition, the owner will be liable for any cost and expense incurred by the Association in collecting delinquent assessments. The Association may enforce the lien for assessments through a foreclosure action similar to a mortgage foreclosure which may result in the eventual sale of the owner's property to pay for delinquent charges, interest and expenses.

The obligation to pay assessments is personal to the owner and will not pass to subsequent owners unless specifically assumed. The lien for the assessments will, however, continue even after transfer of title except in the event of foreclosure of a first mortgage lien or transfer of title to a first mortgagee by deed in lieu of foreclosure.

Owners who are delinquent may be prohibited by the Association from using any common facilities other than the access road while they are delinquent. An owner's voting rights

will not be suspended even though he is delinquent in payment of assessments.

As shown on the proposed budget, a reserve for maintenance will be collected at the initial rate of \$100.00 per unit per year as a part of the common charge. In addition, each owner will pay a one-time charge of \$100.00 at the time of purchasing his/her Lot, for the purpose of establishing an operating reserve. There will be no initial contribution from Sponsor, although Sponsor will contribute on an ongoing basis for those unsold completed units owned by it. (A unit will be deemed to be completed when the certificate of occupancy has been issued by the Town of Victor or Village of Victor, as the case may be). It is estimated that sufficient funds will be available as needed to cover foreseeable capital expenditures. If additional funds are needed, the Association's Board of Directors is empowered to propose special assessments. While Sponsor is in control of the Board of Directors, the reserve shall not be used to reduce projected Association charges. Neither the Department of Law or any other government agency has passed on the adequacy of the reserve.

During the period that Sponsor is empowered to elect the Directors, no additional mortgage liens will be placed on the Association property without the consent of at least fifty-one percent (51%) of the owners excluding Sponsor or Sponsor's nominees. Certified financial statements for Association activities will be provided to members each year for so long as Sponsor remains in control of the Board of Directors.

Sponsor agrees that its obligation for Association charges for unsold Lots cannot be less than an amount equal to the difference between the actual Association expenses, including reserves attributable to completed units as provided for in the projected Association budget, and the Association charges levied on owners who have closed title to their homes as projected in Schedule A of the Plan.

As long as Sponsor has unsold Lots which are offered for sale pursuant to the Plan the Sponsor shall amend the Plan whenever there is a change in the budget or when one (1) year has passed since the last budget was updated. The amendment shall include the prior year's certified financial statements. Sponsor shall also amend the Plan prior to offering for sale any Lots in any subsequent phase of the Subdivision.

LOCAL GOVERNMENT APPROVAL

Preliminary and final approval of the Subdivision Site Plan for Phase I was granted by the Planning Board of the Village of Victor on June 18, 1986. A Subdivision map has been prepared and was filed with the Ontario County Clerk on January 5, 1987. A copy of that Subdivision map is included as Exhibit E. The final Subdivision map will be filed in the Ontario County Clerk's Office prior to the transfer of title to the first Lot.

OBLIGATIONS OF SPONSOR

1. This Offering Plan is for Phase I of the Subdivision, including sixty (60) single family residential townhouse units. Sponsor is obligated to complete these sixty (60) units and to complete the Association property surrounding the sixty (60) units which consists of the driveways and common area, including landscaping. The various sections will be landscaped as those sections are being developed. There is no guarantee that Sponsor will, in fact, complete the entire project of two hundred thirty-seven (237) units.

2. Sponsor will complete all Association property in accordance with the plans and specifications identified in the Plan. Sponsor reserves the right to substitute equipment and materials and make modifications in design provided it does not substitute equipment or materials of lesser quality or design.

3. Sponsor will pay for all improvements in the Subdivision and for the installation of all Association property that Sponsor is obligated to complete under the Plan and will cause all mechanic's liens with respect to such construction to be promptly discharged or bonded.

4. Sponsor will record the Declaration and will convey the Association property pertaining to Phase I to the Association prior to closing title to the first Lot. Sponsor will complete construction of all streets, sidewalks, driveways and parking facilities serving the unit or the building in which the unit is

located and any other facilities that are vital to the health and safety of the owners prior to closing title of the first Lot. If uncompleted items are not vital to the health and safety of the owner and if the Town of Victor or Village of Victor permits occupancy prior to completion, Sponsor will escrow funds for completion of uncompleted items. Typically, landscaping around individual units will not be completed at time of closing.

5. Sponsor will defend any suits or proceedings arising out of Sponsor's acts or omissions and indemnify the Board of Directors of the Association in any of said suits or proceedings.

6. Upon completion of Phase I, Sponsor will deliver a set of "as built" plans of common property improvements to the Board of Directors including specifications of roads, sewers and/or water lines and a representation that the plans or specifications are in substantial compliance with the terms of the Plan, or, if the plans or specifications, as built, are not in substantial compliance with the terms of the Plan, the Plan will be amended and rescission will be offered to all purchasers and members.

7. Sponsor does not intend to furnish any bond or other security to secure its obligation to complete the Association property or the units.

8. Sponsor is a corporation whose shareholders have experience in the business of real estate development and construction. This is the first residential housing project developed

by Sponsor. Although Sponsor could dissolve at any time, Sponsor's obligations under the Plan would continue.

9. Sponsor will retain the right of access through the property being offered under the Plan to complete all homes offered under the Plan. Sponsor will remain liable for any damage caused to the access road during the period of construction. At no time will Sponsor obstruct the Association members' access to their units over the common roadway or other parts of the Association property.

10. Title will be insured at the time of transfer to the Association by Chicago Title Insurance Company, a company authorized to do business in the State of New York. The title insurance policy will initially be written in the amount of twenty thousand dollars (\$20,000.00), and will be increased with each subsequent phase of the Subdivision.

11. If any mortgages or liens remain on the property covered by the Plan following the conveyance of the first Lot, the liens or mortgages will be subordinate to the Declaration.

12. Until such time as all Lots have been sold, Sponsor shall pay, as its share of the common area charges, an amount equal to the difference between the assessments charged to individual owners as estimated in the projected budget and the actual expenses of operating the Association. *x more - see amend #4.3*

13. The public roads, sewers and water lines will be constructed in accordance with local government specifications and Sponsor will, if the construction of the roads, sewers and

water lines has not been completed prior to conveyance to the Association, post a bond or escrow funds or provide other adequate security in an amount to be determined by a licensed engineer which amount shall not be less than the amount required to complete such construction to the required specifications.

TRUST FUND PROVISIONS

All deposits received in conjunction with the purchase of Lots in the Subdivision will be placed promptly in a segregated special escrow account at Marine Midland Bank, N.A., Rochester, New York, or a successor bank selected by Sponsor. The account will be designated The Drumlins Subdivision Special Account. These funds will be released at closing (or prior to closing if, upon the signature of Jerry A. Goldman, Esq. or Kenneth D. Licht, Esq., the purchaser rescinds or defaults under terms of the purchase contract).

These trust funds will be held by Sponsor in compliance with the escrow and trust fund provisions of the General Business Law, Section 325-e(2-b) and Section 352-h.

Sponsor, at its option, may withdraw funds from the escrow account upon the issuance to purchaser of a letter of credit in the form included as Exhibit K, which letter of credit will provide for payment to purchaser of the full amount of his deposit if Sponsor is unable to deliver the Lot as provided in the purchase contract. Before any such withdrawal, Sponsor will file an amendment of this Offering Plan containing the form of Letter of Credit to be used.

MANAGEMENT AGREEMENT

The Board of Directors of the Homeowners' Association execute a contract with Sponsor, providing for the management of the Association. The management agreement is included in this management plan as Exhibit D.

The agreement will be for a one (1) year term with a provision for automatic continuation after the end of the initial term until cancellation by either party on thirty (30) days' written notice. The Association will have no right to cancel the agreement during the first year of operation, except for reasonable cause.

The total annual compensation for Sponsor as the managing agent under the management agreement will be Two Thousand Dollars (\$2,000.00) for the units included in Phase I. The duties of the managing agent will include the maintenance, operation and supervision of all Association activities such as landscaping, maintenance, snow removal, groundskeeping and maintenance of the exterior of all units. The managing agent is charged with carrying out all of the responsibilities of the Association as stated in the Declaration.

In addition, the managing agent will maintain the books and accounts, collect, bill and collect annual and special assessments and prepare annual budgets and operating statements.

The Association will be liable for reimbursement of any expenses incurred by the agent and will indemnify the agent

against liability for any acts properly performed by it under the agreement.

The management agreement is not assignable by the managing agent to any other party.

IDENTITY OF PARTIES

Sponsor, Ontario Heights Development, Inc., is a New York business corporation with principal offices at 7201 Rawson Road, Victor, New York 14564.

The principals of Sponsor are the following:

1. John G. Turner, President and a shareholder of Sponsor. Mr. Turner has been active in the development and construction of real estate in Western New York for approximately twenty-five (25) years.

2. Henry M. Hansen, Secretary/Treasurer and a shareholder of Sponsor. Mr. Hansen has been active in the development and construction of real estate in Western New York for approximately twenty-five (25) years.

~~3. David J. Wegman, Vice President and a shareholder of Sponsor.~~ Amend #6 9/12/91

John G. Turner and Henry M. Hansen have the same business address as Sponsor. ~~The business address of David J. Wegman is 2946 West Ridge Road, Rochester, New York 14626.~~

Neither Sponsor nor any principal of Sponsor has been involved in any prior offering of cooperative interests in realty in or from New York State, ~~except that David J. Wegman is an owner of Tara Development Company, Inc., the sponsor of Ridge Meadows Subdivision in the Town of Greece, Monroe County, New York.~~

+ more
see amend
4.4

The general counsel of Sponsor is the law firm of Mayberry, Licht & Goldman, Suite 800, 47 South Fitzhugh Street, Rochester, New York 14614, Jerry A. Goldman, Esq., of counsel. The firm of Harris, Beach, Wilcox, Rubin and Levey, Stephen H. Waite, Esq., of counsel, The Granite Building, 130 East Main Street, Rochester, New York 14604 has acted as special counsel for the preparation of this Offering Plan. The law firm of Mayberry, Licht & Goldman, Jerry A. Goldman, Esq., of counsel, will represent Sponsor in the sale and closing of the individual homes.

The Association will initially be managed by Ontario Heights Development, Inc., 7201 Rawson Road, Victor, New York 14564. (See "Management Agreement" above.) Ontario Heights Development, Inc. has no previous management experience.

Sponsor will act as the selling agent for the project.

Sponsor has retained the engineering firm of MRB Group, P.C., 2480 Browncroft Boulevard, Rochester, New York 14625, in the preparation of the Subdivision Plan and related materials.

REPORTS TO MEMBERS

The Association through its Board of Directors will deliver a certified financial statement prepared by a certified public accountant to all members on an annual basis. In addition, all members will have notice at least thirty (30) days prior to the annual members' meeting.

DOCUMENTS ON FILE

Sponsor shall retain copies of the Plan and parts A, B and C of the Exhibits and documents referred to in the Plan on file at 7201 Rawson Road, Victor, New York 14564 (or at any subsequent location of its principal office) for at least six (6) years after the closing of the first Lot. These documents will be available for inspection and copying at a minimal charge during normal business hours.

GENERAL

There are no lawsuits, administrative proceedings or other proceedings the outcome of which may materially affect the offering, the property, Sponsor's capacity to perform all of its obligations under the Plan or operation of the Association.

The property offered under the Plan is not the subject of any prior offering and no preliminary nonbinding agreements have been entered into, nor money collected from prospective purchasers, as of the date of the Plan.

Sponsor and its agents will not discriminate against any person based on race, creed, color, sex, national origin or any other basis prohibited by state or federal civil rights laws.

Dated: December 4, 1986

ONTARIO HEIGHTS DEVELOPMENT, INC.

By: John G. Turner, President
John G. Turner, President