

**DECLARATION OF PROTECTIVE COVENANTS
CONDITIONS, RESTRICTIONS, EASEMENTS,
CHARGES AND LIENS
OF
LEGACY RIDGE HOMEOWNERS ASSOCIATION, INC.**

SPONSOR: LEGACY RIDGE AT HIGHLAND MILLS, LLC

DATE OF DECLARATION: _____, 2005

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DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS, RESTRICTIONS, EASEMENTS,
CHARGES AND LIENS
OF
LEGACY RIDGE HOMEOWNERS ASSOCIATION, INC.

THIS DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS, RESTRICTION EASEMENTS, CHARGES AND LIENS OF LEGACY RIDGE HOMEOWNERS ASSOCIATION, INC. (the "Declaration") is made this _____ day of _____, 2005, by Legacy Ridge at Highland Mills, LLC, a New Jersey Limited Liability Company having an office at 16 Microlab Road, Suit D, Livingston, New Jersey 07039, being referred to hereinafter as the "Sponsor".

WITNESSETH:

WHEREAS, the Sponsor owns certain parcels of real property in the Town of Woodbury, Orange County, New York (said parcels being more fully described in Schedule A attached hereto); and

WHEREAS, the Sponsor intends to develop said real property into a residential community known as "Legacy Ridge Homeowners Association" (hereinafter sometimes referred to as the "Community"), consisting of approximately four hundred (400) acres of land, on which will be constructed two hundred eighty seven (287) Homes on separate Lots (as hereinafter defined); and

WHEREAS, the Sponsor desires to provide for the preservation of the values and amenities in the Community and to this end desires at this time to subject the land described in Schedule A to this Declaration of Protective Covenants, Conditions, Restrictions, Easements, Charges and Liens of Legacy Ridge Homeowners Association, Inc. (hereinafter referred to as this "Declaration") which is for the benefit of said property and each Unit Owner thereof; and

WHEREAS, the Sponsor has deemed it desirable, for the efficient preservation of the values and amenities in said Community to create an agency to which should be delegated and assigned the powers, among others, of (i) maintaining, administering, exercising architectural control over and preserving the Association Property (as hereinafter defined); (ii) administering and enforcing the covenants, conditions and restrictions of the Declaration; and (iii) collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, the Sponsor has incorporated the LEGACY RIDGE HOMEOWNERS ASSOCIATION, INC. (hereinafter the "Association") under the Not-for-Profit Corporation Law of the State of New York for the purpose of exercising the aforesaid powers, among others.

NOW, THEREFORE, the Sponsor for itself, its successors and assigns declares that the real property described in Article II and in Schedule A hereof is and shall be held, transferred, sold, conveyed and occupied, subject to this Declaration.

ARTICLE I DEFINITIONS

Section 1.01 Definitions

The following words, phrases or terms when used in this Declaration or in any Supplemental Declaration shall, unless the context otherwise prohibits, have the following meanings:

- a. **ASSESSMENTS** means, collectively, the Special Assessments and the Maintenance Assessments.
- b. **ASSOCIATION** means the **LEGACY RIDGE HOMEOWNERS ASSOCIATION, INC.**
- c. **ASSOCIATION PROPERTY** means all land, and any improvements thereon, easements, rights and appurtenances belonging thereto heretofore or hereafter owned by the **LEGACY RIDGE HOMEOWNERS ASSOCIATION, INC.**
- d. **AUTHORIZED VOTES** means there shall be only one vote for each Voting Owner regardless of the number of Homes owned by such Owner.
- e. **BY-LAWS** means the By-Laws of the Association, as the same may be amended from time to time by the Members of the Association.
- f. **BOARD OF DIRECTORS** or **BOARD** means the Board of Directors of the Association.
- g. **BOOK OF FIRST MORTGAGEES** means the record of First Mortgagees as reported by the Sponsor or the Sponsor's closing attorney to the Board of Directors at the time of each closing, or upon a resale of a Home by an Owner, as may be reported by the Purchaser of such Home at time of taking title. The Secretary of the Board of Directors shall be responsible for maintaining the Book of Mortgagees. Every First Mortgagee shall have the right, upon written notification to the Secretary, to have its name and address, as set forth in such notification, entered into the Book of Mortgagees.
- h. **COMMUNITY** means the approximately 400 acre parcel of land located in the Town of Woodbury, New York on which will be developed the two hundred eight-seven (287) Home residential community known as "Legacy Ridge Homeowners Association".
- i. **DECLARATION** means this document of Protective Covenants, Conditions, Restrictions, Easements, Charges and Liens of **LEGACY RIDGE HOMEOWNERS**

ASSOCIATION, INC., as it may from time to time be supplemented, extended or amended in the manner provided for herein.

j. FIRST MORTGAGE means the first mortgage granted by an Owner on a Home to a bank, federal savings and loan association, life insurance company, pension fund, trust company or other institutional lender, licensed mortgage banker or broker, an individual or the Sponsor.

k. FIRST MORTGAGEE means the original first mortgagee, its representatives, assigns or other holder of a First Mortgage on a Home.

l. HOME means each completed Home situated upon the Property (as evidenced by issuance of a Certificate of Occupancy issued by the Town of Woodbury), including the garage appurtenant to such Home, if any. Unless the context clearly indicates otherwise, the term "Home" shall be deemed to include the term "Lot".

m. LOT means any portion of the Community (with the exception of Association Property) under the scope of the Declaration and (i) identified as a separate parcel on the subdivision plat approved by the Town of Woodbury.

n. MAINTENANCE ASSESSMENTS means the charges levied by the Board of Directors against the Units in accordance with Article V hereof to pay the cost of operating, maintaining, repairing, improving and replacing the Association and its Property together with such amounts deemed appropriate by the Board of Directors to be maintained as reserves for replacement of Association Property.

o. MORTGAGEE means any mortgagee, its representatives, assigns, servicing agent or other holder of a mortgage on a Home.

p. OWNER or UNIT OWNER or MEMBER means the holder of record title, whether one or more Persons, of the Assessment interest in any Lot, whether or not such holder actually resides at such Lot, and shall include the Sponsor with respect to any Unsold Lot brought under this Declaration.

q. PERSON means an individual, a corporation, a partnership, an estate, a trust, an unincorporated organization or any other entity.

r. PROPERTY means all real property that now or in the future is subject to the Declaration, as described in Section 2.01, including the Association Property and any Additional Property that may be subject to the Declaration, pursuant to Section 2.02.

s. RULES AND REGULATIONS means the Rules and Regulations, if any, promulgated by the Board of Directors pursuant to Section 5.12(e) of the By-Laws, as the same may be amended from time to time.

t. SPECIAL ASSESSMENTS means the charges levied by the Board of Directors against the Units in accordance with Article V hereof to pay for capital improvements.

u. SPONSOR means Legacy Ridge at Highland Mills, LLC, a New Jersey Limited Liability Company having an office at 16 Microlab Road, Suit D, Livingston, New Jersey 07039, its successors and assigns.

v. SUPPLEMENTAL DECLARATION means any Supplemental Declaration supplemental hereto or amendatory hereof executed in accordance with the provisions hereof.

w. TRANSFER OF CONTROL DATE means the date that is thirty (30) days after the Sponsor has transferred title to the last Home, or the date on which the Sponsor offers in writing to transfer control to the Association and such offer is accepted by the Association.

x. UNSOLD HOME means any Home owned by the Sponsor or its designee other than any Home held by the Sponsor for personal use or personal investment.

y. UNSOLD LOT means any Lot owned by the Sponsor or its designee other than any Lot purchased by and for the use of any affiliate of the Sponsor or held by the Sponsor for personal use or investment.

z. VOTING OWNER OR MEMBER means the Owner of a Home or Lot. In the event a Home is owned by more than one person, the Voting Owner shall be the person named in a certificate signed by all Owners of such Home or Lot and filed with the Secretary of the Board of Directors. If such certificate is not on file, the person or entity first named on the deed by which title is obtained shall be the person considered the Voting Owner.

ARTICLE II PROPERTY SUBJECT TO THIS DECLARATION; ADDITIONS THERETO

Section 2.01 The Property

The real property which shall be subject to this Declaration is described as follows: Phase One consisting of two hundred eight-seven (287) Homes on separate Lots in the Town of Woodbury, County of Orange and State of New York, and more particularly described in Schedule A attached hereto and made a part hereof; sometimes referred to herein as the "Property". The Property includes without limitation the Association Property and all Lots and Homes within the Association.

Section 2.02 Additional Property

(a) The Sponsor may extend this Declaration to all or any portion of the land approved for development or subject to approval for development relative to the approximately 400 acres of adjoining land located in the Town of Woodbury, as described in Schedule B of this Declaration, up to a maximum of two hundred eight-seven (287) Homes on separate Lots which may be effected in up to four additional separate Phases, without obtaining the approval of the Owners, by filing an amendment to this Declaration with the New York State Department of

Law and recording it in the Orange County Clerk's Office. A copy of such amendment shall also be served on all Owners and Purchasers by certified mail, return receipt requested.

(b) Subject to Subparagraph (c) of this Section, and Section 4.07(c) hereof, upon approval in writing of the Association pursuant to a vote of its Members as provided in the By-Laws, the owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association may do so. Such Additional Property shall be added by recording a Supplemental Declaration in the office of the Clerk of Orange County, New York signed by the Association and such owner. Any such Supplemental Declaration filed or recorded shall indicate the number of projected lots contemplated for construction on the property added to the scheme of this Declaration by the supplemental instrument.

(c) Such Supplemental Declaration shall extend the Declaration to such additional lands including subjecting the owners of such lands to Assessments for their fair share of the expenses of the Association. The supplemental Declaration may contain such complementary additions to and modifications of this Declaration as may be necessary to reflect the different character, if any, of the added property as are not inconsistent with the scheme of this Declaration. In no event, however, shall such Supplemental Declaration revoke, modify or add to the covenants, conditions and restrictions contained in this Declaration.

(d) Until the Transfer of Control Date, the provisions of this Section 2.02 may not be amended without the prior written consent of the Sponsor.

Section 2.03 Mergers

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

ARTICLE III THE ASSOCIATION: FORMATION AND MEMBERSHIP

Section 3.01 Formation of the Association

Pursuant to the Not-for-Profit Corporation Law of the State of New York, the Sponsor has formed the Association to own, operate and maintain the Association Property, enforce this Declaration and to have such other specific rights, obligations, duties and functions as are set forth in this Declaration, the Certificate of Incorporation and By-Laws of the Association, as the

same may be amended from time to time. Subject to the additional limitations provided in this Declaration, the By-Laws and the Certificate of Incorporation, the Association shall have all the powers and be subject to the limitations of a not-for-profit corporation as contained in the New York State Not-for-Profit Corporation Law as the same may be amended from time to time.

Section 3.02 Membership

The Association shall have as Members only Owners of Lots and Homes in the Community. All Owners shall, upon becoming such, be deemed automatically to have become Members and there shall be no other qualification for membership. Membership shall be appurtenant to, and shall not be separated from the ownership of the interest described in the definitions of "Owner", "Unit Owner", or "Member" as found in Article I of this Declaration.

Section 3.03 Holder of Security Interest Not a Member

No Person shall be deemed a Member or to have any voting right merely by reason of such Person's holding a Mortgage on or other security interest in a Lot or Home.

ARTICLE IV PROPERTY RIGHTS AND EASEMENTS

Section 4.01 Dedication of Association Property

(a) The Sponsor will convey to the Association subsequent to the recordation of this Declaration and at or prior to the conveyance of the first Lot, the Association Property for the use and enjoyment of the Members, their guests, tenants, lessees, licensees and invitees, subject to all prior recorded easements, restrictions, conditions or covenants of record, if any.

(b) The Association must accept any such conveyance and any future conveyance made by the Sponsor provided such conveyance and any such future conveyance is made without consideration.

Section 4.02 Right and Easement of Enjoyment in Association Property

(a) Every Member (and such Member's guests, licensees, tenants and invitees) will have a right and easement of enjoyment in common with other Members in and to all Association Property. Such easements shall be appurtenant to and shall pass with the interests of a Member. All such rights, easements and privileges, shall be subject, however, to the rights of the Association as set forth in Section 4.03 herein and the rights of the Sponsor as set forth in Sections 4.07 hereof.

(b) Every Member shall also have an easement in common with other Members ingress and egress by vehicle or otherwise across, over and to all Association Property and shall further have common utility and conduit easements as described in Section 4.05 this Declaration.

These easements will be subject to the rights of the Association as set in Section 4.03 of this Declaration; provided, however, that a conveyance or encumbrance referred to in Section 4.03(c) hereof shall be subject to said easement of each Member for ingress and egress.

Section 4.03 Rights of Association

With respect to the Association Property, and in accordance with the Certificate of Incorporation and the By-Laws, the Board of Directors shall have the right:

(a) To grant easements or rights of way across, over, in, on, through and under Association's Property to any public utility corporation, governmental agency or political division or cable television company or franchisee or for the benefit of a Member's Lot in a proper case, with or without consideration.

(b) To dedicate or transfer all or any part of the land which it owns for such purposes and subject to such conditions as may be agreed to by the Board of Directors and the transferee, subject to the following:

(1) such a conveyance shall require the consent of two-thirds (2/3) of all Members other than the Sponsor;

(2) no such conveyance shall be made if First Mortgages entitled to notice pursuant to Section 10.02 of one-third (1/3) or more of the Homes advise the Association in writing, prior to the date set for voting on the proposed conveyance that they are opposed to such conveyance, which opposition must not be unreasonable. Written notice of any proposed conveyance shall be sent to all First Mortgagees, who appear on the Book of First Mortgages of the Association and who have previously requested the Association in writing to provide notice pursuant the Section 10.02, not less than thirty (30) days nor more than ninety (90) days prior to the date set forth voting on the proposed conveyance.

(c) To borrow funds from any recognized lending institution, and in conjunction therewith, mortgage its properties or grant a security interest in or pledge all income and revenue of the Association, including future Assessments, and deposit accounts. No such mortgage, however, shall encumber or otherwise interfere with the easement of ingress and egress of the Members as described in this Article. The amount, terms, rate or rates of all borrowing and provisions of all agreements, shall require the consent of at least two-thirds (2/3) of all Members other than the Sponsor.

(d) To contract with any Person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management agreements with trusts, condominiums, cooperatives and other Homeowners associations. Such agreements shall require the consent of two-thirds (2/3) of the entire Board of Directors of the Association.

Until the Transfer of Control Date, the Board of Directors may not exercise such rights as those set forth in Subparagraphs (b), (c) and (d) of this Section 4.03 without the prior written consent of the Sponsor.

Section 4.04 Maintenance of Association Property

In order to preserve and enhance the values and amenities of the Association Property, the Association shall at all times maintain the Association Property in good repair and condition and shall operate such Association Property in accordance with high standards.

Section 4.05 Common Utility and Conduit Easements: Additional Easements to Association

(a) All pipes, wires, conduits and public utility lines and cable television lines located within any Lot shall be owned by the Owner of such Lot. Every Member shall have an easement in common with the Owners of other Lots or Lots to maintain and use any and all pipes, wires, conduits, drainage areas, public utility lines and cable television lines located within or on Association Property and servicing such Member's Lot or Home. Each Owner shall have an easement in common with others to maintain, repair, replace, operate and use the pipes, wires, conduits, drainage areas, utility lines and cable television lines servicing his Lot but located on, in, over or across Association Property. Such right shall be exercised at a reasonable time upon reasonable notice to the Association; provided, however, that in an emergency such right may be exercised at anytime and without notice.

(b) The Association (and its employees, contractors and agents) shall have the right of access to each Lot for maintenance, repair or replacement of any pipes, wires, conduits, drainage areas, public utility lines or cable television lines located in any Lot and servicing the Association Property. Such right shall be exercised at a reasonable time upon reasonable notice to the Owner; provided, however, that in an emergency such right may be exercised at anytime and without notice. The cost of such repair, maintenance or replacement shall be a common expense funded from the Assessments; provided, however, that if such repair, maintenance or replacement is occasioned by a negligent or willful act or omission of a specific Member or Members it shall rather be considered a special expense allocable to the Member or Members responsible and such cost shall be added to the Assessment of such Member or Members and, as part of that Assessment, shall constitute a lien on the Lot of such Member or Members to secure the payment thereof.

Section 4.06 Environmental Consideration

In carrying out their responsibilities in enforcing the provisions of this Declaration, the Association and the Architectural Standards Committee (as defined in Article VII hereof) shall consider the environmental impact of any existing or proposed activities on the nature and character of the Community or any portion thereof and may, in their discretion, take affirmative action to improve the quality of the environment or establish standards or guidelines aimed at

reducing or eliminating any activities which could have a significant adverse environmental impact. Until the Transfer of Control Date, no such action may be taken on such land nor may such guidelines be established without the prior written consent of the Sponsor.

Section 4.07 Rights of Sponsor With Respect to Association Property and the Lots

(a) With respect to Association Property and the Lots, the Sponsor shall have the right, from time to time until the marketing and sale of all Homes is completed, provided the rights of the Members are not substantially and materially (except for temporary inconvenience) restricted:

(1) to grant and reserve easements and rights-of-way across, over, through, on and under the Association Property and the Lots for the installation, maintenance, repair, replacement and inspection of utility lines, wires, pipes and conduits, including, but not limited to: drainage, electric, telephone, and cable television to serve any property in the Community;

(2) to connect with and make use of utility lines, wires, pipes and conduits, located on the Association Property for the benefit of any property in the Community;

(3) to use the Association Property for ingress and egress and for the storage of building materials;

(4) to operate a sales center on the Association Property or on an Unsold Lot or in an Unsold Home and to have prospective purchasers and others visit such sales center and use certain portions of Association Property, including, but not limited to, parking spaces;

(5) to maintain a construction office on the Association Property or an Unsold Lot or in an Unsold Home; and

(6) to grant to itself or to others such other easements and rights-of-way as may be reasonably needed for the orderly development of all property in the Community.

(b) The Sponsor hereby reserves to itself, its successors and assigns an access easement, for all manner and mode of transit, over, across, through, on and under Association Property and the Lots for the purposes of completing construction of the Lots and the Association Property and doing all things necessary or desirable relating thereto.

(c) The Sponsor hereby reserves the right to revise, amend, or replot any of the Lots prior to their sale, or to amend or adjust the boundaries of the Association Property even after the same has been conveyed to the Association, provided such amendment or adjustment is minimal and does not materially reduce the amount of the Association Property, or otherwise materially, adversely affect the rights of the Members in and to the Association Property or their respective Lots.

(d) With respect to its exercise of the above rights, the Sponsor agrees (1) to repair any damages directly caused by it, and (2) to hold the Association harmless from all liabilities and costs (including reasonable attorneys' fees) which are directly caused by its exercise of the rights contained in this Section 4.07. This Section shall not be amended without the prior written consent of the Sponsor until the Transfer of Control Date.

Section 4.08 Subject to Existing Easements.

The Association Property, the Lots and the Homes are hereby made subject to any and all easements, if any, shown on the maps relating to the Community as filed in the Orange County Clerk's Office and all other covenants, conditions, and restrictions of record, if any. The location of such easements, if any, will be in approximately the same location as shown on such maps.

**ARTICLE V
ASSESSMENTS: ALLOCATION, LIEN AND LIABILITY**

Section 5.01 Obligations to Pay Assessments

The Sponsor, for each Unsold Home owned by it within the Community and brought under this Declaration, hereby covenants, and each Owner of any Home brought under this Declaration by becoming such, whether or not it shall be expressed in any such deed or other instrument of conveyance, if any, shall be deemed to covenant and agree, to pay to the Association:

- (a) Annual Assessments for the maintenance, repair, replacement, improvement, administration, management and operation of the Association and the Association Property, and the other items set forth in Section 5.03 hereof ("Maintenance Assessments"); and
- (b) Special Assessments for capital improvements, as more fully set forth in Section 5.06 hereof ("Special Assessments").

The Maintenance Assessments and the Special Assessments together are referred to herein as the "Assessments".

Section 5.02 Determination of and Basis for Assessments

- (a) The Board of Directors shall, from time to time, but at least annually, fix and determine the budget representing the sum or sums necessary and adequate for the continued operation of the Association and shall send a copy of the budget and any subsequent supplement or amendment to the budget to each Member at least thirty (30) days prior to the adoption thereof. The Board shall determine the total amount required, including but not limited to, the operational items such as insurance, repairs, reserves, maintenance and all other operating expenses, as well as charges to cover any deficits from prior years and capital improvements

approved by the Board. The total annual requirements and any supplemental requirements shall be allocated among, assessed to, and paid by the Members as follows: each Member shall for each Home pay a portion of said requirements, the numerator of which shall be one (1) and the denominator of which shall be equal to the number of Homes in the Association from time to time, or in a given Phase of the Community. The Board of Directors may, but shall not be obligated to, revise or amend the budget based solely on an increase in the number of Homes during the budget year or such other budget period established by the Board.

(b) Notwithstanding the foregoing, the Sponsor's obligation for such Assessments on Unsold Homes subject to this Declaration shall be limited to the difference between the actual operating costs of the Association, including reserves on the Association Property, and the Assessments levied on Owners who have closed title to their Homes. In no event, however, will the Sponsor be required to make a deficiency contribution in an amount greater than the Sponsor would otherwise be liable for if it were paying Assessments on Unsold Homes on the same basis as other Members.

Section 5.03 Purpose of Maintenance Assessments

The purpose of the Maintenance Assessments shall be to satisfy the costs and expenses of the administration, management, operation, maintenance, repair, replacement and improvement of the Association and the Association Property, and the promotion of the health, safety and welfare of the Members, including but not limited to the following costs and expenses:

- (a) taxes imposed on the Association and the Association Property, if any;
- (b) any utility services to the Association Property or the Property which are commonly metered or billed;
- (c) all premiums for casualty, liability and other insurance covering the Association Property, and the Association, its officers, Directors, Members and employees obtained pursuant to Article IX of the By-Laws;
- (d) the maintenance, repair and replacement of the facilities included in Section 6.01 hereof (except those excluded by such Section or any other Section hereof);
- (e) labor, equipment and materials for, and the management and supervision of, the Association and the Association Property;
- (f) accounting and record keeping of all Association financial transactions; and
- (g) such other needs, including legal, engineering and other professional or consulting services, as may arise from time to time which the Board of Directors deems appropriate or desirable to meet.

Section 5.04 Date of Commencement and Notice of Assessments

