

AMENDMENT NO. 1

RIVERS RUN HOA

NYS DEPARTMENT OF LAW FILE NUMBER: H 050036

This is the First Amendment to the Offering Plan for the sale of Homeowners Association interests by Rivers Run, LLC in the Rivers Run subdivision.

As of the date of acceptance of this Amendment No.1 for filing by the New York State Department of Law, the Sponsor shall be represented in the sale of units by Philip F. Spahn, Jr. and T. Mary McDonald, partners in the law firm of Fix, Spindelman, Brovitz & Goldman with offices at 295 Woodcliff Drive, Suite 200, Fairport, NY 14450.

As of that date, all deposits, downpayments or advances made by purchasers prior to closing of each individual transaction will be placed, within five (5) days after a purchase agreement is signed by all necessary parties and receipt of the deposit in a segregated special escrow account of Fix Spindelman, Brovitz & Goldman, as escrow agent.

The name of the account is "Rivers Run Subdivision Special Escrow Account" located in M&T Bank at 55 East Avenue, Rochester, New York 14604. This bank is covered by the Federal Deposit Insurance Corporation (FDIC) to a maximum at any given time of \$100,000 per individual account.

The escrow account will be an interest on lawyers' account (IOLA) pursuant to Judiciary Law, Section 497, and no interest shall be earned by purchaser or Sponsor.

The signatories on this account authorized to withdraw funds are: Philip F. Spahn and T. Mary McDonald, both of whom are Partners at Fix, Spindelman, Brovitz & Goldman.

Within five (5) days after acceptance of this Amendment, all escrow funds being held pursuant to this Offering Plan by Harris Beach PLLC shall be forwarded to Fix, Spindelman, Brovitz & Goldman for deposit in the above-referenced account and all purchasers will be advised of the transfer of funds.

A copy of the Escrow Agreement executed by Sponsor and by Fix, Spindelman, Brovitz & Goldman is attached to this Amendment as Exhibit 1-A.

There are no additional material changes of facts or circumstances affecting this property or this offering.

IN WITNESS WHEREOF this Amendment has been signed this 18<sup>th</sup> day of April, 2006.

RIVERS RUN, LLC

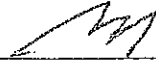
By:   
Name: DAVID A. CHRISTA  
Title: MEMBER

EXHIBIT I

ESCROW AGREEMENT

AGREEMENT made this 18<sup>th</sup> day of April, 2006, between RIVERS RUN, LLC ("SPONSOR") as sponsor of the offering plan and FIX, SPINDELMAN, BROVITZ & GOLDMAN ("ESCROW AGENT") as escrow agent.

WHEREAS, Rivers Run, LLC is the sponsor of an offering plan for Homeowners Association ownership of the premises located at Fairwood Drive, Rochester, New York 14623 which premises are known as Rivers Run Townhouses Subdivision; and

WHEREAS, Fix, Spindelman, Brovitz & Goldman is authorized to act as an escrow agent hereunder in accordance with General Business Law ("GBL") Section 352-E(2-b) and the Attorney General's regulations promulgated thereunder; and

WHEREAS, SPONSOR desires that ESCROW AGENT act as escrow agent for deposits and payments by purchasers and subscribers, pursuant to the terms of this agreement.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein and other good and valuable consideration, the parties hereby agree as follows:

1. ESTABLISHMENT OF THE ESCROW ACCOUNT

- 1.1 SPONSOR and ESCROW AGENT hereby establish an escrow account with ESCROW AGENT for the purpose of holding deposits or payments made by purchasers or subscribers. The escrow account has been opened with M&T Bank at its branch located at 55 East Avenue, Rochester, New York 14604. The depository bank account number is \_\_\_\_\_.
- 1.2 The name of the account is Rivers Run Townhouses Subdivision Special Escrow Account.
- 1.3 ESCROW AGENT is the sole signatory on the account.
- 1.4 The escrow account shall be a non interest-bearing account as disclosed in the offering plan.
- 1.5 The escrow account is an IOLA established pursuant to Judiciary Law §497.

2. DEPOSITS INTO THE ESCROW ACCOUNT

- 2.1 All funds received from prospective purchasers or subscribers prior to closing, whether in the form of checks, drafts, money orders, wire transfers, or other instruments which identify the payor, shall be deposited in the escrow account. All instruments to be deposited into the escrow account shall be made payable to, or endorsed by the purchaser or subscriber to the order of Fix, Spindelman, Brovitz & Goldman as escrow agent for Rivers Run Homeowners Association, Inc. offering plan. Any instrument payable or endorsed other than as required hereby, and which cannot be deposited into such escrow account, shall be returned to the prospective purchaser or subscriber promptly, but in no event more than five business days following receipt of such instrument by ESCROW AGENT. In the event of such return

of funds, the instrument shall be deemed not to have been delivered to ESCROW AGENT pursuant to the terms of this Agreement.

- 2.2 Within ten (10) business days after tender of the deposit submitted with the subscription or purchase agreement, ESCROW AGENT shall notify the purchaser of the deposit of such funds in the bank indicated in the offering plan, provide the account number, and disclose the initial interest rate. If the purchaser does not receive notification of such deposit within fifteen (15) business days after tender of the deposit, the purchaser may cancel the purchase and rescind within ninety (90) days after tender of the deposit, or may apply to the Attorney General for relief. Rescission may not be afforded where proof satisfactory to the Attorney General is submitted establishing that the escrowed funds were timely deposited in accordance with the regulations and requisite notice was timely mailed to the subscriber or purchaser.

### 3. RELEASE OF FUNDS

- 3.1 ESCROW AGENT shall not release the escrowed funds of a defaulting purchaser until after consummation of the plan as defined in the Attorney General's regulations. Consummation of the plan shall not relieve SPONSOR of its fiduciary obligations pursuant to GBL Section 352-h.
- 3.2 ESCROW AGENT shall continue to hold the funds in escrow until otherwise directed in (a) a writing signed by both sponsor and purchaser or (b) a determination of the Attorney General or (c) a judgment or order of a court of competent jurisdiction or until released pursuant to the regulations of the Attorney General pertaining to release of escrowed funds.
- 3.3 SPONSOR shall not object to the release of the escrowed funds to (a) a purchaser who timely rescinds in accordance with an offer of rescission contained in the plan or an amendment to the plan or (b) all purchasers after an amendment abandoning the plan is accepted for filing by the Department of Law.
- 3.4 If there is no written agreement between the parties to release the escrowed funds, ESCROW AGENT shall not pay the funds to SPONSOR until ESCROW AGENT has given the purchaser written notice of not fewer than ten (10) business days. Thereafter, the funds may be paid to SPONSOR unless the purchaser has made application to the Department of Law pursuant to the dispute resolution provisions contained in the Attorney General's regulations and has so notified ESCROW AGENT in accordance with such provisions.

### 4. RECORDKEEPING

- 4.1 ESCROW AGENT shall maintain all records concerning the escrow account for seven years after release of the funds.
- 4.2 Upon the dissolution of a law firm which was ESCROW AGENT, the former partners or members of the firm shall make appropriate arrangements for the

maintenance of these records by one of the partners or members of the firm or by the successor firm and shall notify the Department of Law of such transfer.

- 4.3 ESCROW AGENT shall make available to the Attorney General, upon his request, all books and records of ESCROW AGENT relating to the funds deposited and disbursed hereunder.

5. GENERAL OBLIGATIONS OF ESCROW AGENT

- 5.1 ESCROW AGENT shall maintain the accounts called for in this Agreement under the direct supervision and control of ESCROW AGENT.
- 5.2 A fiduciary relationship shall exist between ESCROW AGENT and Purchasers, and ESCROW AGENT acknowledges its fiduciary obligations.

6. RESPONSIBILITIES OF SPONSOR

- 6.1 SPONSOR agrees that SPONSOR and its agents, including any selling agents, shall immediately deliver all deposits and payments received by them prior to closing of an individual transaction to ESCROW AGENT.
- 6.2 SPONSOR agrees that it shall not interfere with ESCROW AGENT's performance of its fiduciary duties and compliance with the Attorney General's regulations.

7. TERMINATION OF AGREEMENT

- 7.1 This Agreement shall remain in effect unless and until it is cancelled, by either:
- (a) Written notice given by SPONSOR to ESCROW AGENT of cancellation of designation of ESCROW AGENT to act in said capacity, which cancellation shall take effect only upon the filing of an amendment with the Department of Law providing for a successor ESCROW AGENT; or
  - (b) The resignation of ESCROW AGENT upon giving notice to SPONSOR of its desire to so resign, which resignation shall take effect only upon the filing of an amendment with the Department of Law providing for a successor ESCROW AGENT; and
  - (c) all shares or units offered pursuant to the plan have been sold and all sales transactions have been consummated.
- 7.2 Upon termination of the duties of ESCROW AGENT as described in paragraph 7.1 above, ESCROW AGENT shall deliver any and all funds held by it in escrow and any and all contracts or documents maintained by ESCROW AGENT to the new escrow agent.

8. SUCCESSORS AND ASSIGNS

8.1 This Agreement shall be binding upon SPONSOR and ESCROW AGENT and their successors and assigns.

9. GOVERNING LAW

9.1 This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

10. ESCROW AGENT'S COMPENSATION

10.1 SPONSOR agrees that ESCROW AGENT's compensation shall not be paid from escrowed principal nor from any interest accruing thereon and that compensation to ESCROW AGENT, if any, shall not be deducted from escrowed funds by any financial institution under any circumstance.

11. SEVERABILITY

11.1 If any provision of this Agreement or the application thereof to any person or circumstance is determined to be invalid or unenforceable, the remaining provisions of this Agreement or the application of such provision to other persons or to other circumstances shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

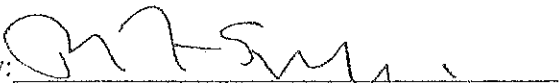
12. ENTIRE AGREEMENT

12.1 This Agreement, read together with GBL Section 352-e(2-b) and the Attorney General's regulations, constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as to the day and year first written above.

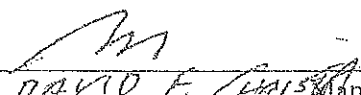
ESCROW AGENT

FIX, SPINDELMAN, BROVITZ & GOLDMAN

By:   
Philip F. Spahn, Jr., a Partner

SPONSOR

RIVERS RUN, LLC

By:   
DAVID F. [unclear] Managing Member

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

AMENDMENT NO. 2

NYS DEPARTMENT OF LAW FILE NUMBER: H 050036

This is the Second Amendment to the Offering plan for the Rivers Run Homeowners Association, Inc. The purpose of the amendment is to satisfy the post-closing amendment requirements.

1. The first closing, on Unit 304, took place on September 26, 2006 in Pittsford, New York.
2. The Declaration of Covenants was recorded on August 18, 2006 in Liber of Deeds 10343, page 514 in the Monroe County Clerk's Office.
3. No reserve account has yet been set up. There is no working capital fund.
4. All units except Unit 304 are owned by Sponsor. There are purchase contracts for Units 201, 202, 401, 501, 503, 504, 601 and 604.
5. The initial Board of Directors is Patrick Tobin, 71 Linden Street, Rochester, N.Y. 14620, Claudia Blumenstock, 407 Taylor Road, Honeoye Falls, New York 14472 and Julie Fenske, 44 Mill Valley Road, Pittsford, N. Y. 14534. Mr. Tobin is Vice President of Christa Construction, LLC, a principal of Sponsor; Ms. Blumenstock is Executive Vice President of Sponsor and Ms. Fenske is Vice President of Operations of Sponsor.
6. Sponsor is in control of the Board and will remain in control until all units are sold or five (5) years from September 26, 2006, whichever first occurs.
7. The first meeting of the homeowners will occur after the Sponsor's control period has ended.
8. The Sponsor remains liable for all Association expenses over and above those collected from the first Unit owner.
9. The Sponsor has paid the most recent real property taxes for the current year. The 2006 County tax was \$52.20 (previously tax exempt) and the 2006-7 School tax was \$15,448.81. Bills have not been rendered for individual units.
10. There are no homes occupied by tenants, except Unit 303 is occupied temporarily by the future purchaser of Unit 503. The rent is \$800.00 per month.
11. Sponsor's obligations to the homeowner's association which will become

due in the next twelve (12) months are payment of Association expenses and payments for completion of improvements.

12. All unsold units subject to the Offering Plan are subject to a mortgage with M&T on which there is a current balance of \$4,800,000. It is a demand note, with monthly payments of interest only. When a townhome unit sells, there is a principal paydown.

13. Sponsor's obligations will be funded from projected sales and if necessary, from other assets of Sponsor.

14. The Sponsor is current on all financial obligations relating to the Homeowners Association and under the M&T mortgage.

15. Pat Tobin and David Christa, principals of Sponsor, are also principals in the Sagamore on East Condominium, CD 03-0170, 130 East Avenue, Rochester, New York. They are current on all financial obligations pertaining to that project.

16. The first page of the limited warranty contained in Exhibit O to the Plan is amended to complete the two blanks inadvertently contained therein. Both blanks will now indicate 50% as the limit of liability of the Warrantor (as a percentage of the contract price for the dwelling).

17. The second sentence of paragraph 2 on Page 2 of the Plan shall be amended to read as follows: Each townhome owner will own his home (including attached concrete pads and patio) and garage and the footprint on which the house and garage are located and have exclusive use of restricted common areas improved by unit driveways.

18. The 2<sup>nd</sup> paragraph on Page 5 of the Offering Plan will be amended to read as follows:

At the time of filing the subdivision plan, the common area will be comprised of all lands not included in a block or lot as shown on the Subdivision Plan entitled Rivers Run Section 2 (Environmental Design & Research, P.C. Resub Map Drawing Job #1170). Blocks shown on the referenced drawing represent proposed building locations and the number of lots (units) within the block. Following construction of each building, the actual building walls (including attached concrete pads and patio), exterior and common interior, will be located by an Instrument Survey. A resubdivision map will then be prepared and filed by Sponsor defining the lots according to the actual building wall locations (including attached concrete pads and patio). The resubdivided lots will then be conveyed to the unit purchasers and the land located between the exterior walls as built and shown on the resubdivision plan and the original block line will be transferred from the Sponsor to the Homeowners' Association, or from the Association to the unit purchaser if necessary.



19. There have been no other material changes of facts and circumstances affecting the property which is the subject of this offering or the offering itself.

IN WITNESS WHEREOF this Amendment has been signed this 15<sup>th</sup> day of November, 2006.

RIVERS RUN, LLC

By: Living Communities, L.L.C.  
Sole Member

By: Living Communities of Rochester, LLC,  
Member

By: SI Norman Spindelman  
Norman Spindelman, Member

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

AMENDMENT NO. 3

NYS DEPARTMENT OF LAW FILE NUMBER: H 050036

This is the Third Amendment to the Offering plan for the Rivers Run Homeowners Association, Inc. The purpose of the amendment is to extend the term of the offering.

1. The first closing, on Unit 304, took place on September 26, 2006 in Pittsford, New York.
2. The Declaration of Covenants was recorded on August 18, 2006 in Liber of Deeds 10343, page 514 in the Monroe County Clerk's Office.
3. A reserve account has been set up and is being funded monthly. There is no working capital fund.
4. All units except Unit 202, 304, 401, 501, 503, 504, 601 and 604 are owned by Sponsor. There is a purchase contract pending for Unit 1101.
5. The initial Board of Directors is Patrick Tobin, 71 Linden Street, Rochester, N.Y. 14620, Claudia Blumenstock, 407 Taylor Road, Honeoye Falls, New York 14472 and Julie Fenske, 44 Mill Valley Road, Pittsford, N. Y. 14534. Mr. Tobin is Vice President of Christa Construction, LLC, a principal of Sponsor; Ms. Blumenstock is Executive Vice President of Sponsor and Ms. Fenske is Vice President of Operations of Sponsor.
6. Sponsor is in control of the Board and will remain in control until all units are sold or five (5) years from September 26, 2006, whichever first occurs.
7. The first meeting of the homeowners will occur after the Sponsor's control period has ended.
8. The Sponsor remains liable for all Association expenses over and above those collected from the Unit owners.
9. The Sponsor has paid the most recent real property taxes for the current year. The 2007 County tax was \$9,760.59 and the 2006-7 School tax was \$15,448.81. Bills have not been rendered for individual units.
10. There are no homes occupied by tenants.
11. Sponsor's obligations to the homeowner's association which will become

due in the next twelve (12) months are payment of Association expenses and payments for completion of improvements.

12. All unsold units subject to the Offering Plan are subject to a mortgage with M&T Bank on which there is a current balance of \$4,800,000. It is a demand note, with monthly payments of interest only. When a townhome unit sells, there is a principal paydown.

13. Sponsor's obligations will be funded from projected sales and if necessary, from other assets of Sponsor.

14. The Sponsor is current on all financial obligations relating to the Homeowners Association and under the M&T mortgage.

15. Pat Tobin and David Christa, principals of Sponsor, are also principals in the Sagamore on East Condominium, CD 03-0170, 130 East Avenue, Rochester, New York. They are current on all financial obligations pertaining to that project.

16. An updated budget for the calendar year 2007 is attached. No financial statements have been prepared yet as there has not been a complete year of operation.

17. There have been no other material changes of facts and circumstances affecting the property which is the subject of this offering or the offering itself.

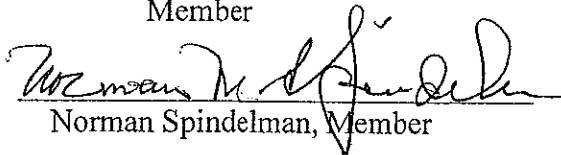
18. The purchase contract in the offering plan was not intended for use on newly built homes. A new form of purchase contract is attached as Schedule A.

IN WITNESS WHEREOF this Amendment has been signed this 30<sup>th</sup> day of May, 2007.

RIVERS RUN, LLC

By: Living Communities, L.L.C.  
Sole Member

By: Living Communities of Rochester, LLC,  
Member

By:   
Norman Spindelman, Member

SCHEDULE A

RIVERS RUN  
BUDGET 2007 FISCAL YEAR OF OPERATION<sup>1</sup>  
BEGINNING JANUARY, 2007

Projected Income	
Maintenance Charges <sup>2</sup>	\$24,448
<b>TOTAL</b>	<b>\$24,448</b>

Projected Expenses	
Electricity <sup>3</sup>	\$ 1,200
Repairs, Maintenance and Supplies	\$ 0
Landscaping (mowing and trimming) <sup>4</sup>	\$ 3,000
Snow removal <sup>5</sup>	\$ 3,000
Refuse Removal <sup>6</sup>	\$ 1,984
Insurance <sup>7</sup>	\$ 3,900
Management Fee <sup>8</sup>	\$ 4,500
Legal Fees <sup>9</sup>	\$ 700
Accounting Fees <sup>10</sup>	\$ 2,000
Taxes	
Real Property taxes <sup>11</sup>	\$ 3,392
Franchise and Corporate Taxes	
Reserves <sup>12</sup>	<u>\$ 8,640</u>
<b>TOTAL</b>	<b>\$32,316</b>
<b>Net Income<sup>13</sup></b>	<b>(\$7868)</b>

**FOOTNOTES TO SCHEDULE A**

1. **BUDGET FOR HOA OPERATION** – Based on 8 cottages sold and occupied and 8 more being occupied by year end .2007
2. **MAINTENANCE CHARGES** - Monthly maintenance charges are budgeted to be \$191 per month per unit based on the budgeted expenses at full build out.
3. **ELECTRICITY** – Based on RGE average billing of \$100/month for street lighting
4. **LANDSCAPING** – Based on IFS contract for lawn cutting from PPS landscaping for lawn cutting, spring and fall fertilization and clean up and weed control.
5. **SNOW REMOVAL** – Based on previous year actual and contract from Alex Snow Removal snow plowing and salt supplies.
6. **REFUSE REMOVAL**- provided by Waste Management at \$15.50 per unit per month with 8 units occupied through 6/60/07 and adding 8 more units for balance of the year at average 4 months
7. **INSURANCE** – Based on cost per building from First Niagra and current cost.
8. **MANAGEMENT FEE** – Provided by IFS /month per building cottage for maintenance services and \$18.75/month per unit for administrative services that includes budgeting, AR, AP
9. **LEGAL FEES** – Provided by Fix, Spindelman, Brovitz and Goldman
10. **ACCOUNTING FEES** – Based on Rotenberg cost for annual audit
11. **TAXES** – Based on assessment dated May 1, 2007 from Town of Henrietta. Board of managers filing grievance to have lowered and will be meeting 6/4/07.
12. **RESERVES** – Calculated based on replacement cost provided by our architect and engineers and includes labor. Values based on 20 units built out to date and site improvements 1/3 complete.
13. **NET INCOME** - Developer to fund any negative variance.

Item	Cost	Life Cycle	Annual Contribution
Exterior Painting 5 buildings	\$5,555	5 yrs	\$1,111
Roofing - 5 building	\$48,855	30 yrs	\$1,629
Asphalt (60,000sf)			
Sealing @ .07/sf	\$4,200	3 yrs	\$1,400
Resurface@ .75/sf	\$45,000	10 yrs	\$4,500
		<b>Total Reserves</b>	<b>\$8640</b>

**PURCHASE AND SALE CONTRACT  
FOR  
RIVERS RUN**

**TO:** Rivers Run, LLC, 50 Fairwood Drive, Rochester, New York, 14623, "Seller"  
**FROM:** \_\_\_\_\_, "Buyer"  
**RE:** Lot \_\_\_\_, \_\_\_\_\_, New York  
\_\_\_\_\_, New York  
(Street Address)

**OFFER TO PURCHASE**

Buyer offers to purchase the property described below from Seller on the following Terms:

**1. PROPERTY DESCRIPTION**

A. Property known as Lot \_\_\_\_\_, in the Town of Henrietta, State of New York, including all improvements and all rights which the Seller has in or appurtenant to the property.

B. Townhome Unit to be constructed according to the plans and specifications designated Exhibit A attached hereto and initialed by Buyer and Seller.

C. **HOMEOWNERS ASSOCIATION:** Conveyance of the lot requires mandatory membership in Rivers Run Homeowner's Association, Inc.. The Homeowners Association has title to certain common areas designated on the foregoing subdivision map. Buyer understands that an estimated monthly fee of \$190.00 is currently required from members in the homeowners' association for maintenance of the common areas and services to individual lots including snow plowing, trash collection and common area liability insurance, all as detailed in Rivers Run Homeowner's Association Offering Plan. Buyer understands that this monthly fee may change.

**2. PRICE AMOUNT AND HOW IT WILL BE PAID.** The purchase price is \_\_\_\_\_ (\$ \_\_\_\_\_). Buyer shall receive credit at closing for the deposit made pursuant to paragraph 11 hereof. The balance of the purchase price shall be paid all in cash or certified check at closing.

**3. MORTGAGE CONTINGENCY.** This Contract: check one only

(a) is not subject to Buyer obtaining mortgage financing

(b) is subject to Buyer obtaining mortgage financing, satisfactory to Buyer in the minimum amount of \$ \_\_\_\_\_ no later than \_\_\_\_\_, 200\_\_. In the event this contingency is not satisfied or waived by said date, either party may terminate the Contract by delivery of written notice to the other party, all deposits shall be returned to Buyer and neither Buyer nor Seller shall have any further liability under the Contract. If a mortgage commitment is obtained by Buyer and

it lapses or terminates for some reason other than a delay in closing caused by Buyer, and if Buyer has made a good faith effort to extend the commitment without success, Buyer may terminate this contract within five (5) business days following expiration of the commitment.

4. **CLOSING DATE AND PLACE.** The transfer of title to the property shall take place at the office of Seller's attorney or the office designated by Buyer's lender on or about the \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, provided, however, that if there is a delay in completion of the improvements which is out of Seller's control, then Seller shall be entitled to a reasonable adjournment in the closing date without being liable therefor. The transfer of title to the unit shall take place only after or concurrently with the issuance of a certificate of occupancy for the unit being conveyed.

5. **BUYER'S POSSESSION OF PROPERTY.** Buyer shall have possession of the property on the day of closing.

6. **TITLE DOCUMENTS.** Seller shall provide the following documents in connection with the sale.

A. **Deed:** Seller will deliver to Buyer at closing a properly signed and notarized Warranty Deed with lien covenant.

B. **Abstract, Bankruptcy and Tax Searches, and Instrument Survey Map:** Seller will furnish and pay for and deliver to Buyer or Buyer's attorney at least 10 days prior to closing, fully guaranteed tax, title and United States Court searches, and an instrument survey of the Lot with improvements, all to be dated or redated after the date of this contract. Seller will pay for continuing searches to and including the day of closing and for the instrument survey.

C. **Documents to be Furnished regarding the Homeowners Association:** Since the property carries with it mandatory membership in the homeowners association, Seller will also furnish the following items to Buyer or Buyer's attorney at least ten (10) days prior to closing:

- a. Copy of the Offering Plan and all Amendments.
- b. Name and address of insurance agent administering common areas insurance policy.

7. **MARKETABILITY OF TITLE.** The deed and other documents delivered by Seller shall be sufficient to convey good and marketable title in fee simple to the property, free and clear of all liens and encumbrances, but subject to the terms of the Declaration, By-Laws and Offering Plan. Buyer also agrees to accept title to the property subject to public utility easements as long as those easements do not interfere with any existing improvements. Buyer acknowledges that no improvements may be made to the premises without prior written architectural approval from the Association Board of Directors as set forth at length in the Declaration and By-Laws.

**8. OBJECTIONS TO TITLE.** If Buyer raises a valid written objection to Seller's title which means that the title to the property is unmarketable, Seller may cancel this contract by giving prompt written notice of cancellation to Buyer, and Buyer's deposit shall be returned immediately. However, if Seller gives written notice within five (5) days that Seller will cure the problem prior to the closing date, then this contract shall continue in force until the closing date, subject to Seller performing as promised. If Seller fails to cure the problem within such time, Buyer will not be obligated to purchase the property and his deposit shall be returned.

**9. RECORDING COSTS, MORTGAGE TAX, TRANSFER TAX AND CLOSING ADJUSTMENTS.** Buyer will pay for recording the deed and any mortgage and mortgage tax. Seller shall pay for any transfer tax. Water charges, sewer charges, and current taxes computed on a fiscal year basis, excluding any delinquent items, interest and penalties, will be prorated and adjusted between Seller and Buyer as of the date of closing. Buyer shall also pay at closing his prorated share of the common expenses assessment as provided for in Article VI of the Declaration and in the Offering Plan of the Homeowners Association.

**10. ZONING.** By signing this contract, Seller certifies that the property is in full compliance with all zoning or building ordinances for use as a single family residence.

**11. DEPOSIT BY BUYER.** Upon acceptance, Buyer will deposit Ten Thousand Dollars (\$10,000.00) with Seller, which deposit is to become part of the purchase price. The Seller will hold all funds received by it from purchasers directly, or through its agents or employees in trust until closing. Fix Spindelman Brovitz and Goldman, PC, attorneys at law, 295 Woodcliff Drive, Suite 200, Fairport, New York 14450, is Seller's escrow agent who will hold funds deposited by Buyer at any time prior to the closing of title in a special escrow account in M&T Bank, 255 East Avenue, Rochester, N.Y. 14604. These funds shall be held in trust in accordance with the provisions of Section 352-(e)(2)(b) and 352-h of the General Business Law of the State of New York and released only upon the authorization of Paula A. Lapin, attorney at Fix Spindelman, Brovitz and Goldman, PC. In the event closing does not occur for any reason except the Buyer's default under the terms of this Purchase Agreement, these funds shall be fully returned to Buyer. A complete explanation of the escrow provisions and Buyer's rights with respect to this escrow is set forth in Exhibit 9 of Part II of the Offering Plan.

**12. EXTRAS.** If Buyer selects any extras or upgrades, they will be paid for as follows: 50% upon selection, and 50% at closing.

**13. BUYER'S FAULT.** Seller may send Buyer notice of intention to cancel this Agreement if (i) Buyer does not pay Seller the balance of the purchase price on the date that Buyer is supposed to pay or (ii) Buyer fails to perform any other obligation under this Agreement. If Buyer does not correct the default within thirty (30) days after Seller has given notice, Seller may cancel this Agreement.

**14. SELLER'S DEFAULT REMEDIES.** If Seller cancels this Agreement because of Buyer's defaults, the liquidated damages shall be all payments Buyer has made to



Seller up to ten percent (10%) of the purchase price of the Townhome, plus the actual costs Seller incurred for any extras Buyer may have ordered. If Buyer paid Seller less than ten percent (10%) of the purchase price of the Townhome before the default, Seller may collect, also as liquidated damages, the difference between the amount paid and ten percent (10%) of the Purchase Price. If Seller cancels the Agreement because of Buyer's default, and recovers all its liquidated damages, neither party will have any further liability to the other. Seller may then sell the Townhome to anyone else. The handling of all deposits will be in accordance with the Escrow Agreement contained in the Offering Plan.

**15. BROKERAGE AND REAL ESTATE COMMISSIONS.** It is understood and agreed by both Buyer and Seller that Seller has retained ReMax Realty ("ReMax") as selling broker and that Seller is liable for the real estate brokerage commission payable to ReMax resulting from this contract.

**16. SELLER'S WARRANTY.** The Seller will provide the limited warranty and construct all improvements in accordance with the Limited Warranty ("*Warranty*") and Residential Construction Performance Guidelines prepared by the Rochester Homebuilder's Association. A copy of the Warranty is contained in Part II of the Offering Plan.

**17. LIFE OF OFFER.** Buyer agrees not to withdraw this Offer before \_\_\_\_\_, 200\_\_ at 5:00 P.M.

**18. RESPONSIBILITY OF PERSONS UNDER THIS CONTRACT; ASSIGNABILITY.** If more than one person signs this contract, as Buyer, each person and any party who takes over that person's legal position will be responsible for keeping the promises made by Buyer in this contract. However, this contract is personal to the parties and may not be assigned by either without the other's consent.

**19. ENTIRE CONTRACT.** This contract, when signed by both Buyer and Seller, will be the record of the complete agreement between the Buyer and Seller concerning the purchase and sale of the property. No verbal agreements or promises will be binding on either the Buyer or Seller unless they are in writing, and signed by both Buyer and Seller. In the event of any conflict between this Contract and the Offering Plan, the terms of the Offering Plan shall control.

**20. RECEIPT OF OFFERING PLAN.** The Buyer acknowledges that he has received a copy of the offering plan and all filed amendments at least three (3) business days prior to the execution of the purchase contract.

21 . **ATTORNEY APPROVAL.** This Contract is subject to the written approval of attorneys to Buyer and Seller within seven (7) calendar days from the date of Seller's acceptance.

Dated: \_\_\_\_\_  
\_\_\_\_\_

Buyer:

Witness:  
Buyer: \_\_\_\_\_

\_\_\_\_\_

**ACCEPTANCE OF OFFER BY SELLER**

Seller certifies that it owns the property and has the power to sell the property. Seller accepts the offer and agrees to sell on the terms and conditions set forth above.

Dated: \_\_\_\_\_ Seller: RIVERS RUN, LLC

\_\_\_\_\_  
Manager

Witness: \_\_\_\_\_

=====

**Seller's Attorney & Address:**

**Buyer's Attorney & Address:**

Paula A. Lapin, Esq.  
Fix Spindelman Brovitz and Goldman, P.C.  
295 Woodcliff Drive, Suite 200  
Fairport, New York 14450  
Telephone: (585) 641-8000  
E-mail: plapin@fixspin.com

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

AMENDMENT NO. 4

NYS DEPARTMENT OF LAW FILE NUMBER: H 050036

This is the Fourth Amendment to the Offering plan for the Rivers Run Homeowners Association, Inc. The purpose of the amendment is to amend the budget and correct some provisions of the offering.

1. The first closing, on Unit 304, took place on September 26, 2006 in Pittsford, New York.
2. The Declaration of Covenants was recorded on August 18, 2006 in Liber of Deeds 10343, page 514 in the Monroe County Clerk's Office.
3. A reserve account has been set up at M&T Bank. It currently contains \$8,436.00. There is no working capital fund.
4. All units except Unit 201, 202, 304, 401, 501, 503, 504, 601, 604, 1102 and 1202 are owned by Sponsor. There are purchase contracts pending for Units 1101, 702, 1401 and 404.
5. The initial Board of Directors is Patrick Tobin, 71 Linden Street, Rochester, N.Y. 14620, Claudia Blumenstock, 407 Taylor Road, Honeoye Falls, New York 14472 and Anita Ellen Harris, 8334 E. Main Road, Leroy, New York 14482. Mr. Tobin is President of Living Communities, LLC, owner of the Sponsor; Ms. Blumenstock is Vice President of Business Development of Living Communities, LLC and Ms. Harris is Vice President of Operations and Business Initiatives of Living Communities, LLC.
6. Sponsor is in control of the Board and will remain in control until all units are sold or five (5) years from September 26, 2006, whichever first occurs.
7. The first meeting of the homeowners will occur after the Sponsor's control period has ended.
8. The Sponsor remains liable for all Association expenses over and above those collected from the first Unit owners.
9. The Sponsor has paid the most recent real property taxes for the current year. The 2008 County tax was \$1,257.94 and the 2007-8 School tax was \$2,009.69. Bills have been rendered for individual units.
10. There are two homes occupied by tenants. The total rent collected

monthly is \$4,000.00 per month.

11. Sponsor's obligations to the homeowner's association which will become due in the next twelve (12) months are payment of Association expenses and payments for completion of improvements.

12. All unsold units subject to the Offering Plan are subject to a mortgage with M&T on which there is a current balance of \$4,038,870.26. It is a demand note, with monthly payments of interest only. When a townhome unit sells, there is a principal paydown.

13. Sponsor's obligations will be funded from projected sales and if necessary, from other assets of Sponsor.

14. The Sponsor is current on all financial obligations relating to the Homeowners Association and under the M&T mortgage.

15. Patrick Tobin and David Christa, principals of Sponsor, are also principals in the Sagamore on East Condominium, CD 03-0170, 130 East Avenue, Rochester, New York. They are current on all financial obligations pertaining to that project.

16. The estimated date for completion of all Units is amended on page 1 in paragraph 1 and on page 14 in paragraph 3 from December, 2007 to December, 2009. The estimated date for completion of weather dependent common areas is amended on page 1 in paragraph 1 from Spring, 2008 to Spring, 2010.

17. Page 3 of the Plan, paragraph 2, is amended to state that the sewer and water laterals are the responsibility of the Homeowners Association.

18. Page 3 of the Plan, in paragraph 4, is amended to state that the Sponsor is now constructing the three (3) story residential rental building for persons 55 and older to the east of the HOA. It is anticipated that the rental building will be complete in the Fall of 2008. Services and amenities available in the rental building, including dining, housekeeping, maintenance and transportation will be available to HOA members on an "a la carte" basis if they so desire.

19. Paragraph 3 on page 4 is amended to state that the athletic facilities of the RIT Campus will be made available to HOA residents under a Rivers Run Community membership at an annual cost of \$280.00 for an individual or \$440.00 for a couple.

20. A new, corrected 2008 budget is attached as Exhibit A. The budget submitted with the prior amendment erroneously showed the actual expenses for the first few homes. Financial statements for 2007 are attached as Exhibit B.

21. Page 1, paragraph 5 and page 17, paragraph 1 are amended to clarify that adult children of twenty-one (21) years of age or older are permitted to live with their parents of fifty-five (55) years or older. These pages had erroneously stated the age to be twenty (20) years.

22. Page 18, paragraph 3 is amended to substitute Anita Ellen Harris for Julie Fenske as the third initial director.

23. Page 22, paragraph 4 should show the address of Integrated Facility Solutions, the management company, as 841 Holt Road, Webster, New York 14580.

24. Page 23, paragraph 1 is amended to provide that Living Communities, LLC, the sole member of the Sponsor, is now owned equally by Norman Spindelman, Jules Musinger and David Christa. Patrick Tobin, a principal of Sponsor, is now the President of Living Communities, LLC.

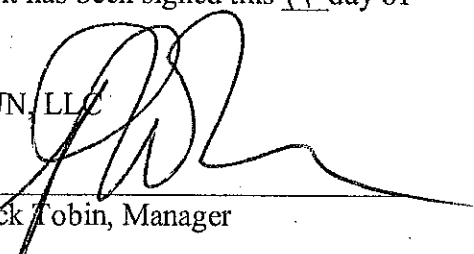
25. There have been no other material changes of facts and circumstances affecting the property which is the subject of this offering or the offering itself.

*May* IN WITNESS WHEREOF this Amendment has been signed this 10<sup>th</sup> day of April, 2008.

**BONNIE L. GEORGE**  
Notary Public - State of New York  
No. 01GE6183824  
Qualified in Monroe County  
My Commission Expires March 31, 2012

RIVERS RUN, LLC

By: \_\_\_\_\_

  
Patrick Tobin, Manager

*Bonnie L. George*

SCHEDULE A

RIVERS RUN  
BUDGET FOR SECOND YEAR OF HOA OPERATION<sup>1</sup>  
BEGINNING JANUARY, 2008

Projected Income		
Maintenance Charges <sup>2</sup>		\$153,190.00
Other Income		-0.00-
		<hr/>
TOTAL		\$153,190.00
Projected Expenses		
Electricity <sup>3</sup>		2,844.00
Repairs, Maintenance and Supplies <sup>4</sup>		-0.00-
Landscaping (mowing and trimming) <sup>5</sup>		15,525.37
Snow removal <sup>6</sup>		47,000.00
Refuse Removal <sup>7</sup>		12,462.00
Insurance <sup>8</sup>		27,000.00
Management Fee <sup>9</sup>		14,472.00
Legal Fees <sup>10</sup>		700.00
Accounting Fees <sup>11</sup>		2,750.00
Taxes:		
Real Property taxes <sup>12</sup>		3267.63
Franchise and Corporate Taxes		-0.00-
Reserves: <sup>13</sup>		
Exterior Painting	\$4,000.00	
Roofing	5,863.00	
Asphalt Sealing	3,266.00	
Resurface	10,500.00	
Sidewalks	<u>3,540.00</u>	
		27,169.00
		<hr/>
TOTAL		\$153,190.00

## FOOTNOTES TO SCHEDULE A

1. The first closing took place in September of 2006. The HOA has adopted a calendar year for operation.

2. Allocation of Maintenance Charges

The maintenance charges will be allocated equally to each unit and shall be paid to the Association monthly. The estimated annual maintenance charge for each unit is \$2,287.00, which will be paid monthly in the amount of \$191.00.

3. Electricity. Each residential unit is separately metered and each unit owner will pay electricity consumed in his unit. There will be 27 single lamp fixtures and 6 dual lamp fixtures throughout the common area. ME Engineering, P.C., 150 North Chestnut Street, Rochester, New York 14604, has calculated the annual electricity cost at \$2,844.00 or \$236.89 per month.

4. Repairs, Maintenance and Supplies

The Sponsor estimates that there will be no repair, maintenance or supply charges incurred by the HOA. All common area expenses are included in contracts with vendors providing landscaping, ground maintenance, snowplowing, insurance and trash collection. Any postage and stationery costs associated with billing and notices to homeowners will be borne by Integrated Facilities Solutions under its management contract.

5. Landscaping

Lawn care and landscape services which will include lawn care, spring clean up, grass pick-up and trimming, mulching as needed, fall leaf raking, spring and fall fertilizing, weed control and care of all landscaped areas in the subdivision will be provided under the management contract with Integrated Facilities Solutions, as set forth in its contract dated November 21, 2005 (the "Management Contract").

6. Snow Removal

Snow removal services consisting of plowing and shoveling snow from the private road, all parking areas, individual driveways garage entrances and sidewalks, as well as salting as needed will be provided under the Management Contract at an annual cost of \$47,000.

7. Refuse Removal

Waste Management, 4521 Steelway Boulevard North, Liverpool, New York 13090, will provide refuse removal and disposal and re-cycling Services on a weekly basis. The budgeted figure is based on weekly pick up of the Waste

Management 96 gallon toter from each unit.

8. Insurance

The insurance cost of \$27,000.00 is based on the quote from First Niagara Risk Management, Inc. Blanket property insurance on all buildings will be carried at full replacement value in the total amount of \$8,700,000.00. This amount is based on the review of the project by Lombard Insurance Agency. With full replacement value coverage the insured will not be a co-insurer in the event of a partial loss. The policy shall provide that each homeowner is an additional insured party and there will be no cancellation without notice to the Board of Directors and that there shall be a waiver of subrogation, a waiver of invalidity because of the acts of the insured homeowners and a waiver of pro-rata reduction if homeowners obtain additional coverage. Directors and officers liability insurance will not be obtained while the Sponsor is in control.

In addition, there is general liability coverage for the Association in the amount of \$2,000,000.00. The unit owners shall carry insurance to cover interior improvements, personal property and general personal liability coverage.

9. Management Fee

Integrated Facilities Solutions, 841 Holt Road, Webster, New York 14580, will provide management services, including calculation of the budget, dealing with all service providers, billing and collecting all maintenance charges and general administrative services for a total annual charge of \$14,472.00 as set forth in the Management Contract.

10. Legal Fees

An estimate of \$700 for legal fees has been provided by Fix Spindelman Brovitz & Goldman, P.C. for general consultation which is expected to be minimal during the early years of operation.

11. Accounting Fees

Rotenberg & Co. LLP, Certified Public Accountants, has provided an estimate for accounting service in the amount of \$2,750.00 for the second year of operation. These services will include providing an annual audit of the Association activities.

12. Taxes

The property has been assessed by the Town of Henrietta. The taxes were higher than projected and the Sponsor filed a grievance. The grievance application was denied. It is estimated by Fix Spindelman Brovitz & Goldman, P.C., attorney for Sponsor, that the Association will incur no liability for State or Federal corporate



taxes or franchise taxes based on projected budget for the second year. The HOA will be liable for normal New York State sales taxes on goods and services purchased. Sales taxes are included in budget estimates for the various line items.

13. The estimated reserves are based on replacement costs (including labor) provided by Sponsor's architect and engineer. The following is a further breakdown of those costs:

Item	Cost	Life Cycle	Annual Contribution
Exterior Painting	\$20,000	5 yrs	\$4,000
Roofing	\$175,875	30 yrs	\$5,863
Asphalt (140,000sf) Sealing @ .07/sf	\$ 9,800	3 yrs	\$3,266
Resurface @ .75/sf	\$105,000	10 yrs	\$10,500
Concrete Sidewalks (11,800 sf) 6/sf	\$70,800	20	\$3,540

**SCHEDULE B**

**RIVERS RUN HOMEOWNERS' ASSOCIATION  
Rochester, New York**

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**FINANCIAL REPORTS  
AT  
DECEMBER 31, 2007**

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**ROTENBERG & CO. LLP**  
Certified Public Accountants

585.295.2400 • 585.295.2150 (fax)

1870 Winton Road South • Rochester, NY 14618 • www.rotenbergllp.com

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Rivers Run Homeowners' Association  
Rochester, New York

We have audited the accompanying balance sheet of Rivers Run Homeowners' Association as of December 31, 2007, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rivers Run Homeowners' Association as of December 31, 2007, and the changes in its fund balances and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Rotenberg & Co., LLP*

Rochester, New York  
February 8, 2008

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Rochester, New York**

**BALANCE SHEET**

December 31,	Operating Fund	2007 Reserve Replacement Fund	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,140	\$ 5,220	\$ 6,360
Due From Developer	953	3,276	4,229
Prepaid Management Fees	1,436	—	1,436
<b>Total Assets</b>	<b>\$ 3,529</b>	<b>\$ 8,496</b>	<b>\$ 12,025</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current Liabilities</b>			
Accrued Expenses	\$ 100	\$ —	\$ 100
<b>Total Liabilities</b>	<b>100</b>	<b>—</b>	<b>100</b>
<b>Fund Balances</b>	<b>3,429</b>	<b>8,496</b>	<b>11,925</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,529</b>	<b>\$ 8,496</b>	<b>\$ 12,025</b>

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Rochester, New York**

**STATEMENT OF CASH FLOWS**

Year Ended December 31,	Operating Fund	2007 Reserve Replacement Fund	Total
<b>Cash Flows from Operating Activities</b>			
<b>Excess of Revenues Over Expenses</b>	\$ 2,199	\$ 7,661	\$ 9,860
<b>Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Flows from Operating Activities:</b>			
<b>Changes</b>			
Due From Developer	(953)	(3,276)	(4,229)
Prepaid Management Fees	(1,436)	—	(1,436)
Accrued Expenses	100	—	100
<b>Net Cash Flows from Operating Activities</b>	(90)	4,385	4,295
Net Change in Cash and Cash Equivalents	(90)	4,385	4,295
Cash and Cash Equivalents - Beginning of Year	1,230	835	2,065
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 1,140</b>	<b>\$ 5,220</b>	<b>6,360</b>
<b>SUPPLEMENTAL DISCLOSURES</b>			
<b>Cash Paid During the Year for:</b>			
Income Taxes	\$ —	\$ —	\$ —
Interest	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
Rochester, New York

**NOTES TO FINANCIAL STATEMENTS**

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**Note A - Summary of Significant Accounting Policies**

**Method of Accounting**

The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds, and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

**Cash and Cash Equivalents**

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note B - Scope of Business**

The Rivers Run Homeowners' Association is a statutory condominium association organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of the Rivers Run development. The Rivers Run Homeowners' Association condominium consists of 67 residential units occupying a site of approximately 14 acres located at Fairwood Drive in the town of Henrietta, New York.

**Note C - Owners' Assessments**

Monthly assessments to owners were \$191 for the year ended December 31, 2007. Of those amounts, \$36.00, was designated to the replacement fund. Thirteen units were occupied and twenty were completed at December 31, 2007.

**Note D - Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The board of directors conducted a study in April 2006 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed architects and engineers. The unaudited table below is based on the study for all 67 units.

- continued -

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Rochester, New York**

**NOTES TO FINANCIAL STATEMENTS**

**Note D - Future Major Repairs and Replacements - Continued**

<u>Item</u>	<u>Cost</u>	<u>Life Cycle</u>	<u>Annual Contribution</u>	<u>Current Reserve</u>
Exterior Painting	\$ 20,000	5 Yrs	\$ 4,000	\$ 1,250
Roofing	175,875	30 Yrs	5,863	1,835
Asphalt (140,000sf)				
Sealing @ .07/sf	9,800	3 Yrs	3,266	1,020
Resurface @ .75/sf	105,000	10 Yrs	10,500	3,281
Concrete Sidewalks (11,800sf) 6/sf	70,800	20 Yrs	3,540	1,110
<b>Total</b>	<b>\$ 381,475</b>	<b>20 Yrs</b>	<b>\$ 27,169</b>	<b>\$ 8,496</b>

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note E - Related Party**

The Association has a one-year contract with Integrated Facility Solutions for management services. The company is owned by one of the principals of the sponsor. The total value of the contract is \$78,713 for 67 units which includes all landscaping, snow removal, maintenance services, management fees, and bookkeeping services.

May 13, 2008

Attn: Real Estate Financing Bureau  
New York State Department of Law  
120 Broadway  
New York, New York 10271

Re: Certification by Expert on Adequacy of Budget  
Rivers Run Homeowners Association, Inc.

Gentlemen:

The sponsor of the Homeowner's Association Offering Plan for Rivers Run retained Mayzon Corp. to review the updated "Schedule A" which contain projections of income and expenses for the 2008 year of Homeowner Association operation commencing January 1, 2008. Our firm currently manages 2,800 residential rental units. The size of each property ranges from 80 units to 500 units. We have been in the management business for over 30 years.

We understand that we are responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law in Part 22 insofar as they are applicable to Schedule A.

We have reviewed the Schedule and investigated the facts set forth in the Schedule and the facts underlying them with due diligence in order to form a basis for this certification. We also have relied on our experience in managing residential property.

We certify that the projections in the "Schedule A" appear reasonable and adequate under existing circumstances, and the projected income appears to be sufficient to meet the anticipated operating expenses for the 2008 year of operation as a Homeowners Association.

We certify that the Schedule:

- (i) sets forth in detail the projected income and expense for the stated year of HOA operation;
- (ii) affords potential investors, purchasers and participants an adequate basis upon which to found their judgment concerning the stated year of operation as a homeowner association;
- (iii) does not omit any material fact;
- (iv) does not contain any untrue statement of a material fact;

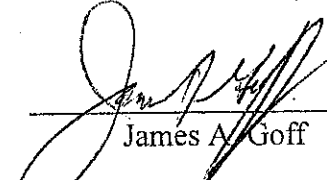


- (v) does not contain any fraud, deception, concealment, or suppression;
- (vi) does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances; and
- (vii) does not contain any representation or statement which is false, where I:
  - (a) knew the truth; (b) with reasonable effort could have known the truth;
  - (c) made no reasonable effort to ascertain the truth, or (d) did not have knowledge concerning the representations or statement made.

I further certify that my firm is not owned or controlled by the sponsor. I understand that a copy of this certification is intended to be incorporated into an amendment to the offering plan. This statement is not intended as a guarantee or warranty of the income and expenses for the stated year of operation as a Homeowners Association.

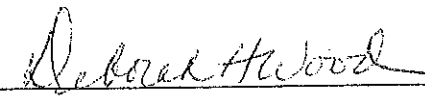
This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. I understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

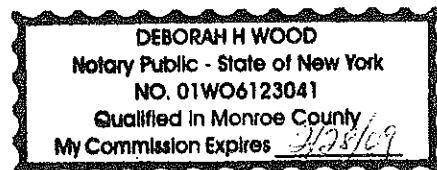
MAYZON CORP.

By:   
 James A. Goff  
 Title: Chief Executive Officer

STATE OF NEW YORK )  
 COUNTY OF MONROE ) ss:

On the 13<sup>th</sup> day of May in the year 2008 before me, the undersigned, a Notary Public in and for said state, personally appeared James A. Goff, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

  
 Notary Public



**RIVERS RUN HOMEOWNERS ASSOCIATION, INC.**

**AMENDMENT NO. 5**

**NYS DEPARTMENT OF LAW FILE NUMBER: H 050036**

This is the Fifth Amendment to the Offering Plan for the Rivers Run Homeowners Association, Inc. The primary purpose of the amendment is to extend the offering.

1. A reserve account has been set up at M&T Bank, 255 East Avenue, Rochester, New York 14604. It currently contains \$23,789.26. There is no working capital fund.
2. All units except Unit 201, 202, 301, 303, 304, 401, 404, 501, 503, 504, 601, 604, 703, 1101, 1102, 1202 and 1401 are owned by Sponsor. There are purchase contracts pending for Units 702, 1301 and 1803. Sponsor owns 75% of the Units. Purchasers may have difficulty obtaining a mortgage until 50% or more of the Units are sold.
3. The current Board of Directors is Patrick Tobin, 71 Linden Street, Rochester, N.Y. 14602, Claudia Blumenstock, 407 Taylor Road, Honeoye Falls, New York 14472 and Anita Ellen Harris, 8334 E. Main Road, Leroy, New York 14482. Mr. Tobin is President of Living Communities, LLC, the sole member of the Sponsor; Ms. Blumenstock is Executive Vice President of Sponsor and Ms. Harris is Vice President of Operations of Sponsor.
4. Sponsor is in control of the Board and will remain in control until all units are sold or five (5) years from September 26, 2006, whichever first occurs.
5. The first meeting of the homeowners will occur after the Sponsor's control period has ended.
6. The Sponsor remains liable for all Association expenses over and above those collected from the first Unit owners. In 2008, these expenses totaled \$15,739.00.
7. The Sponsor has paid the most recent real property taxes for the current year. The 2009 County tax was \$1,319.54 and the 2008-9 School tax was \$2,022.23. Bills have been rendered for individual units. The tax amount for a completed unit is approximately \$6,000.00 per year, inclusive of County and School taxes.
8. There is one home occupied by tenants. The total rent collected monthly is \$2,200.00 per month.
9. Sponsor's obligations to the homeowner's association which will become due in the next twelve (12) months are payment of Association expenses and payments for completion of improvements. There are fifty (50) more units to construct along with the common areas around them.

10. All unsold units subject to the Offering Plan are subject to a mortgage with M&T on which there is a current balance of \$3,738,250.00. It is a demand note, with monthly payments of interest only. The interest rate is 2.25% over the LIBOR rate. When a townhome unit sells, there is a principal paydown of 88% of the Unit's purchase price.

11. Sponsor's obligations will be funded from projected sales and if necessary, from other assets of Sponsor.

12. The Sponsor is current on all financial obligations relating to the Homeowners Association and under the M&T mortgage.

13. Patrick Tobin and David Christa, principals of Sponsor, are also principals in the Sagamore on East Condominium, CD 03-0170, 130 East Avenue, Rochester, New York and the Plains at Parish Homestead HOA (H07-0014), Oneonta, New York. They are current on all financial obligations pertaining to those projects. The offering plans for these projects are available for inspection at the office of the Sponsor and at the office the New York State Department of Law, 120 Broadway, 23rd Floor, New York, New York 10271.

14. A new 2009 budget is attached as Exhibit A. A certification of the budget is attached as Exhibit B. Financial statements for 2008 are attached as Exhibit C.

15. A new management company has been appointed. It is Kenrick Corporation, 3495 Winton Place, Building D, Suite 4, Rochester, New York 14623. A Contract for three (3) years has been entered into by HOA Board of Directors. A copy of the contract is attached as Exhibit D.

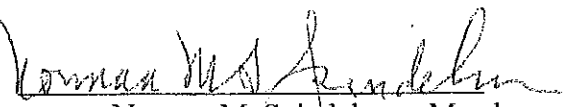
16. The official mailing address of the Sponsor has been changed to c/o Living Communities, 302 Rivers Run, Rochester, New York 14623.

17. There have been no other material changes of facts and circumstances affecting the property which is the subject of this offering or the offering itself.

**IN WITNESS WHEREOF** this Amendment has been signed this 2<sup>nd</sup> day of June, 2009.

**RIVERS RUN, LLC, Sponsor**

**By: Living Communities LLC, Sole Member**

By:   
Norman M. Spindelman, Member

**SCHEDULE A**  
**RIVERS RUN**  
**BUDGET FOR SECOND YEAR OF HOA OPERATION**  
**BEGINNING JANUARY, 2009**

Projected Income	
Maintenance Charges	\$153,190.00
Other Income	-0.00-
<b>TOTAL</b>	<b>\$153,190.00</b>

Projected Expenses		
Electricity		2,844.00
Repairs, Maintenance and Supplies		-0.00-
Landscaping (mowing and trimming)		15,525.37
Snow Removal		47,000.00
Refuse Removal		12,462.00
Insurance		27,000.00
Management Fee		14,472.00
Legal Fees		700.00
Accounting Fees		2,750.00
Taxes:		
Real Property Taxes		3,267.63
Franchise and Corporate Taxes		-0.00-
Reserves:		
Exterior Painting	\$ 4,000.00	
Roofing	5,863.00	
Asphalt Sealing	3,266.00	
Resurface	10,500.00	
Sidewalks	<u>3,540.00</u>	27,169.00
<b>TOTAL</b>		<b>\$153,190.00</b>



May 20, 2009

State of New York  
Department of Law  
Real Estate Financing Bureau  
120 Broadway, 23<sup>rd</sup> Floor  
New York, New York 10271

Re: Rivers Run Homeowners Association  
Rochester, Monroe County, New York

Dear Gentlemen:

The Sponsor of the Homeowner's Association Offering Plan for the above captioned property retained me to review Schedule A, containing projections of income and expenses for the current year of homeowners' association operation. Our experience in this field includes management of commercial and residential properties in the Rochester, New York area.

We understand that we are responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law in Part 22 insofar as they are applicable to Schedule A. We have reviewed the Schedule and investigated the facts set forth in the Schedule and the facts underlying it with due diligence in order to form a basis for this certification. We have also relied on our experience in managing residential properties.

We certify that the projected Schedule A appears reasonable and adequate under existing circumstances, and the projected income appears to be sufficient to meet the anticipated operating expenses for the projected year of homeowners association.

We certify that the Schedule:

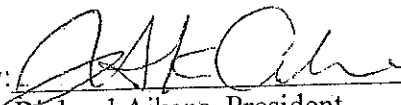
- (i) sets forth in detail the projected income and expenses for the current year of homeowners association operation;
- (ii) affords to potential investors, purchasers, and participants an adequate basis upon which to found their judgment concerning the current year of operation;
- (iii) does not omit any material fact;

State of New York  
 Department of Law  
 May 20, 2009  
 Page 2 of 2

- (iv) does not contain any untrue statement of material fact;
- (v) does not contain any fraud, deception, concealment, or suppression;
- (vi) does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;  
and
- (vii) does not contain any representation or statement which is false, where we  
 (a) knew the truth; (b) with reasonable effort could have known the truth;  
 (c) made no reasonable effort to ascertain the truth; or (d) did not have  
 knowledge concerning the representation or statement made.

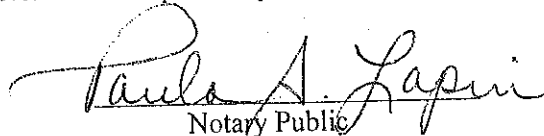
We further certify that we are not owned or controlled by the Sponsor. We understand that a copy of this certification is intended to be incorporated into an amendment to the Offering Plan. This statement is not intended as a guaranty or warranty of the income or expenses for the current year of homeowners' association operation. This certification is made under the penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

**KENRICK CORPORATION**

By:   
 Richard Aikens, President

STATE OF NEW YORK)  
 COUNTY OF MONROE) SS:

On the <sup>12</sup>20 day of May in the year 2009 before me, the undersigned, a notary public in and for said state, personally appeared Richard Aikens personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature or on the instrument, the individual or the person upon behalf of which the individual acted, executed the instrument.

  
 Notary Public

PAULA A. LAPIN  
 Notary Public, State of New York  
 No. 4627286  
 Qualified in Onondaga County  
 Commission Expires June 30, 20 10

**RIVERS RUN HOMEOWNERS' ASSOCIATION  
Rochester, New York**

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FINANCIAL REPORTS  
AT  
DECEMBER 31, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rivers Run Homeowners' Association  
Rochester, New York

We have audited the accompanying balance sheets of Rivers Run Homeowners' Association as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rivers Run Homeowners' Association as of December 31, 2008 and 2007, and the changes in its fund balances and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Rotenberg & Co., LLP*  
Rochester, New York  
January 23, 2009



RIVERS RUN HOMEOWNERS' ASSOCIATION  
Rochester, New York

BALANCE SHEETS

December 31,	2008		2007		Total
	Operating Fund	Reserve Replacement Fund	Operating Fund	Reserve Replacement Fund	
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 503	\$ 18,492	\$ 1,140	\$ 5,220	\$ 6,360
Accounts Receivable	361	540	—	—	—
Interfund Receivable	(813)	813	—	—	—
Due From Developer	12,040	—	953	3,276	4,229
Prepaid Management Fees	—	—	1,436	—	1,436
<b>Total Assets</b>	<b>\$ 12,091</b>	<b>\$ 19,845</b>	<b>\$ 3,529</b>	<b>\$ 8,496</b>	<b>\$ 12,025</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 8,562	\$ —	\$ —	\$ —	\$ —
Accrued Expenses	100	—	100	—	100
<b>Total Liabilities</b>	<b>8,662</b>	<b>—</b>	<b>100</b>	<b>—</b>	<b>100</b>
<b>Fund Balances</b>	<b>3,429</b>	<b>19,845</b>	<b>3,429</b>	<b>8,496</b>	<b>11,925</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,091</b>	<b>\$ 19,845</b>	<b>\$ 3,529</b>	<b>\$ 8,496</b>	<b>\$ 12,025</b>

The accompanying notes are an integral part of these financial statements.

RIVERS RUN HOMEOWNERS' ASSOCIATION  
Rochester, New York

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCES

Year Ended December 31,	2008		2007		Total
	Operating Fund	Reserve Replacement Fund	Operating Fund	Reserve Replacement Fund	
<b>Revenues</b>					
Member Assessments	\$ 29,618	\$ 6,717	\$ 13,291	\$ 2,621	\$ 15,912
Developers' Contributions	11,131	4,608	10,793	5,040	15,833
Cable Television Assessment	5,139	—	4,592	—	4,592
Interest	—	24	4	—	4
<b>Total Revenues</b>	<b>45,888</b>	<b>11,349</b>	<b>28,680</b>	<b>7,661</b>	<b>36,341</b>
<b>Expenses</b>					
Bank Service Charges	120	—	120	—	120
Directors' and Officers' Insurance	3,342	—	949	—	949
Liability Insurance	717	—	7,237	—	7,237
Management Fees	7,226	—	4,069	—	4,069
Copies	—	—	17	—	17
Professional Fees	2,445	—	913	—	913
Landscaping and Snowplowing	18,187	—	7,044	—	7,044
Repairs and Maintenance	6,118	—	—	—	—
Cable Television	3,304	—	3,880	—	3,880
Trash Service	3,463	—	2,152	—	2,152
Taxes	—	—	100	—	100
Utilities	966	—	—	—	—
<b>Total Expenses</b>	<b>45,888</b>	<b>—</b>	<b>26,481</b>	<b>—</b>	<b>26,481</b>
<b>Excess of Revenues Over Expenses</b>	<b>—</b>	<b>11,349</b>	<b>2,199</b>	<b>7,661</b>	<b>9,860</b>
<b>Fund Balances - January 1,</b>	<b>3,429</b>	<b>8,496</b>	<b>1,230</b>	<b>835</b>	<b>2,065</b>
<b>Fund Balances - December 31,</b>	<b>\$ 3,429</b>	<b>\$ 19,845</b>	<b>\$ 3,429</b>	<b>\$ 8,496</b>	<b>\$ 11,925</b>

The accompanying notes are an integral part of these financial statements.

RIVERS RUN HOMEOWNERS' ASSOCIATION  
Rochester, New York

STATEMENT OF CASH FLOWS

Year Ended December 31,	2008		2007	
	Operating Fund	Reserve Replacement Fund	Operating Fund	Reserve Replacement Fund
Cash Flows from Operating Activities				
Excess of Revenues Over Expenses	\$ —	\$ 11,349	\$ 2,199	\$ 7,661
Adjustments to Reconcile Excess of Revenues Over Expenses to Net Cash Flows from Operating Activities:				
Changes				
Accounts Receivable	(351)	(540)	—	—
Interfund Receivable	813	(813)	—	—
Due From Developer	(11,087)	3,276	(953)	(3,276)
Prepaid Management Fees	1,436	—	(1,436)	—
Accounts Payable	8,562	—	—	—
Accrued Expenses	—	—	100	—
<b>Net Cash Flows from Operating Activities</b>	<b>(637)</b>	<b>13,272</b>	<b>(90)</b>	<b>4,385</b>
Net Change in Cash and Cash Equivalents	(637)	13,272	(90)	4,385
Cash and Cash Equivalents - Beginning of Year	1,140	5,220	1,230	835
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 503</b>	<b>\$ 18,492</b>	<b>\$ 1,140</b>	<b>\$ 5,220</b>
<b>\$ 9,860</b>				<b>\$ 6,360</b>
<b>SUPPLEMENTAL DISCLOSURES</b>				
Cash Paid During the Year for:				
Income Taxes	\$ —	\$ —	\$ —	\$ —
Interest	\$ —	\$ —	\$ —	\$ —

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

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**Note A - Summary of Significant Accounting Policies**

**Method of Accounting**

The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds, and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

**Cash and Cash Equivalents**

Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note B - Scope of Business**

The Rivers Run Homeowners' Association is a statutory condominium association organized as a not-for-profit corporation for the purposes of maintaining and preserving common property of the Rivers Run development. The Rivers Run Homeowners' Association condominium consists of 65 residential units occupying a site of approximately 14 acres located at Fairwood Drive in the town of Henrietta, New York.

**Note C - Owners' Assessments**

Monthly assessments to owners were \$191 for the year ended December 31, 2008. Of those amounts, \$36 was designated to the replacement fund. Eighteen units were occupied and thirty-two were completed at December 31, 2008.

**Note D - Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The board of directors conducted a study in April 2006 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed architects and engineers. The unaudited table below is based on the study for all 65 units.

- continued -

RIVERS RUN HOMEOWNERS' ASSOCIATION  
Rochester, New York

**NOTES TO FINANCIAL STATEMENTS**

**Note D - Future Major Repairs and Replacements - continued**

Item	Cost	Life Cycle	Annual Contribution	Current Reserve
Exterior Painting	\$ 20,000	5 Yrs	\$ 4,000	\$ 2,922
Roofing	175,875	30 Yrs	5,863	4,282
Asphalt (140,000sf)				
Sealing @ .07/sf	9,800	3 Yrs	3,266	2,386
Resurface @ .75/sf	105,000	10 Yrs	10,500	7,669
Concrete Sidewalks (11,800sf) 6/sf	70,800	20 Yrs	3,540	2,586
<b>Total</b>	<b>\$ 381,475</b>	<b>20 Yrs</b>	<b>\$ 27,169</b>	<b>\$ 19,845</b>

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.

**Note E - Related Party**

The Association has a one-year contract with Integrated Facility Solutions for management services. The company is owned by one of the principals of the sponsor. The total value of the contract is \$78,713 for 65 units which includes all landscaping, snow removal, maintenance services, management fees, and bookkeeping services.

**Note F - Other Matters**

Subsequent to the balance sheet date, the Association has entered a contract with Kenrick Corporation for management services. The contract provides for a fee of \$16 per completed unit. This includes maintenance services, management fees and bookkeeping services for the period of January 1, 2009 through December 31, 2011.

## ASSOCIATION MANAGEMENT AGREEMENT

**THIS AGREEMENT**, made and entered into this 17<sup>th</sup> day of November, 2008, by and between the Board of Directors (the "BOARD") of Rivers Run Homeowners Association, Inc. (the "ASSOCIATION"), not individually but on behalf of all of the owners from time to time in units at Rivers Run Homeowners Association, Inc., Rochester, New York and on behalf of the ASSOCIATION which is organized pursuant to the Not-for-Profit Corporation Laws of the State of New York (the "OWNERS"), and Kenrick Corporation (the "AGENT").

### RECITALS:

Under the provisions of the purchase contract with the purchase of each unit, the Declaration of ASSOCIATION Ownership, and the By-Laws required under the provisions of the Not-for Profit Corporation Laws of the State of New York, the OWNERS delegate the authority to manage the ASSOCIATION to an elected Board of Managers, which may be the Board of Directors of a Not-for-Profit corporation organized by the OWNERS; and

The BOARD, on behalf of the OWNERS, desires to employ the AGENT to manage the ASSOCIATION, and the AGENT desires to be employed to manage the ASSOCIATION,

### IT IS AGREED:

1.0 The BOARD employs the AGENT exclusively to manage the ASSOCIATION for a period of (3) years beginning January 1, 2009 and ending December 31, 2011.

2.0 The AGENT shall manage the ASSOCIATION to the extent, for the period, and upon the terms of this agreement. The AGENT shall perform the following services in the name of and on behalf of the BOARD, and the BOARD hereby gives the AGENT the authority and powers required to perform these services:

2.1 The AGENT shall collect and, as necessary, receipt for all monthly or other assessments and other charges due to the BOARD for operation of the ASSOCIATION and all rental or other payments from concessionaires, if any, provided that the AGENT shall have no responsibility for collection of delinquent assessments or other charges except sending notices of delinquency.

2.2 The AGENT shall maintain records showing all its receipts and expenditures relating to the ASSOCIATION and shall promptly submit to the BOARD a cash receipts and disbursements statement for the preceding month and a statement indicating the balance or deficit in the AGENT'S account for the ASSOCIATION on or before the 20th day of the following month.

2.3 The AGENT shall prepare and submit to the BOARD, on or before sixty (60) days prior to the start of each fiscal year (during the term of this contract, and any extensions thereof) a recommended budget for the next year showing anticipated receipts and expenditures for such year. If upon commencement of this contract, there is not a budget in place to run through the first ninety (90) days of this contract, AGENT may be requested to prepare and submit a budget, at a cost to be agreed upon at that time.

2.4 Within sixty (60) days after the end of each fiscal year, the AGENT shall submit to the BOARD a summary of all receipts and expenditures relating to the ASSOCIATION for the preceding year, providing that this service shall not be construed to require the AGENT to supply an audit. Any audit required by the BOARD shall be prepared at its expense by accountants of its selection.

2.5 Subject to the direction and at the expense of the BOARD, the AGENT shall cause the common elements of the ASSOCIATION to be maintained according to appropriate standards of maintenance consistent with the character of the ASSOCIATION, including general landscape maintenance, snow removal, refuse removal, general exterior maintenance and painting, driveway maintenance, and the like, all as described in the Declaration and By-Laws of the ASSOCIATION.

2.6 AGENT shall hire, pay, negotiate collective bargaining agreements with (if necessary), supervise, and discharge whatever personnel may be required to maintain and operate the Property on behalf of the ASSOCIATION and in accordance with the budget, job standards, and wage rates previously approved by the ASSOCIATION. All such personnel shall be employees of the ASSOCIATION and not of AGENT, and all salaries, taxes, and other expenses payable to or on account of such employees shall be operating expenses of the Property.

2.7 The following costs shall be paid for initially by AGENT. Immediately after payment by AGENT, AGENT may be reimbursed out of the Operating Account.

(a) The following are charges allowed for other services provided by the AGENT, not included in this management agreement:

To the Owner of the Unit:

Return check charges	\$25.00 per returned check
Resale certification, and other forms required upon the pending sale of a Unit	\$25.00 plus postage and reproduction

To the ASSOCIATION:

If performed at Kenrick Corporation's Central Office.

Community mailings (incl. newsletters, year and guidebooks, etc.)	\$.50 per unit (after four per plus postage and reproduction)
Special Assessments	\$.50 per unit (after one per year plus postage and reproduction)

Material reproduction,	\$.08 per copy except as provided as part of this Agreement
Postage/Messenger	\$ Actual cost
Long distance telephone	\$ Actual cost

2.8 Subject to the approval of the BOARD, the AGENT shall negotiate and execute on behalf of the BOARD contracts for electricity and such other services for the common elements of the ASSOCIATION as may be necessary or advisable. All such purchases and contracts shall be in the name and at the expense of the ASSOCIATION. The AGENT shall also purchase on behalf of the BOARD such equipment, tools, appliances, materials and supplies as are necessary for the proper operation and maintenance of the ASSOCIATION. All such purchases and contracts shall be in the name and at the expense of the ASSOCIATION. Contracts will be rebid periodically.

2.9 The AGENT shall pay from the funds of the ASSOCIATION all taxes, building inspection fees and other governmental charges, and all other charges or obligations incurred by the BOARD with respect to the maintenance or operation of the ASSOCIATION or incurred by the AGENT on behalf of the BOARD pursuant to the terms of this agreement or pursuant to other authority granted by the BOARD.

2.10 The AGENT shall maintain appropriate records of all insurance coverage carried by the BOARD. The AGENT shall cooperate with the BOARD in investigating and reporting all accidents or claims for damage relating to the ownership, operation, and maintenance of the common elements of the ASSOCIATION including any damage or destruction to them. The Board shall pay to the AGENT an Insurance Claim Administration Fee equal to five percent (5%) of the cost of restoration for any losses covered under the insurance policy protecting the ASSOCIATION'S property or property of the individual members of the ASSOCIATION.

2.11 The AGENT will maintain an accurate and reasonably detailed record of all reports, financial records, correspondences, and property inspections it prepares on behalf of the ASSOCIATION.

3.0 In discharging its responsibilities under Paragraphs 2.0-2.11 inclusive of this agreement, the AGENT shall not make any expenditures nor incur any non-recurring contractual obligation exceeding \$ 500.00 without the prior consent of the BOARD, providing that no such consent shall be required to repay any advances made by the AGENT under the terms of Paragraph 5. Notwithstanding these limitations, the AGENT may, on behalf of the BOARD without prior consent, expend any amount or incur a contractual obligation in any amount required to deal with emergency conditions which may involve a danger of life or property or may threaten the safety of the ASSOCIATION of the OWNERS and occupants or may threaten the suspension of any necessary service to the ASSOCIATION.

4.0 Notwithstanding any other provision of this agreement, the AGENT has no authority or responsibility for maintenance of or repairs to those portions of individual dwelling units in the ASSOCIATION, which are not defined as portions of the "common elements" of the property. Such maintenance and repairs shall be the sole responsibility of the OWNERS individually.



5.0 All monies collected by the AGENT on behalf of the BOARD shall be deposited in a custodial account in a state or national bank where deposits are insured by the Federal Deposit Insurance Corporation separate and apart from AGENT'S own funds. Separate accounts shall be used for Operating and Reserve Funds.

5.1 All expense of operation and management may be paid from the BOARD'S funds held by the AGENT, and the AGENT is authorized to pay any amounts owed to the AGENT by the BOARD from such account at any time without prior notice to the BOARD. The AGENT shall have no obligation to advance funds to the BOARD for any purpose whatsoever.

5.2 All AGENT'S employees who handle or are responsible for the safekeeping of any monies of the BOARD shall be covered by an insurance policy protecting the BOARD, such coverage to be in an amount and with a company determined by the AGENT at the expense of the AGENT.

6.0 The BOARD shall pay the AGENT a management fee equal to \$16.00 per unit per month for sold units. The management fee shall be paid monthly in advance. No further charge shall be made by the AGENT for the services of the AGENT, except as otherwise expressly provided in this agreement.

6.1 The ASSOCIATION shall deliver to the AGENT, true, complete and correct copies of all governing documents, rules and regulations, budget and other organizational documents of the ASSOCIATION. The ASSOCIATION will furnish the AGENT all the available architectural, electrical, mechanical and other plans of the ASSOCIATION. All such documents shall remain at all times the sole property of the ASSOCIATION and upon expiration or termination of this agreement, shall be delivered by the AGENT to the ASSOCIATION.

6.2 OTHER: Special detailed studies and reviews, requiring the services of the Property Manager or other members of the AGENT'S staff will be provided on a cost-not-to-exceed basis and agreed upon between BOARD and AGENT in advance.

6.3 The AGENT shall provide, within ten (10) days following written request from an Owner, in accordance with State law, a certification of the status of payments, and any outstanding balances, of all assessments, whether regular or special, and other charges or fees, certified by the AGENT. The AGENT may charge the Owner twenty-five dollars (\$25.00), plus postage, for the preparation of such certification.

7.0 One of the AGENT'S employees shall be designated Property Manager for the ASSOCIATION. The Property Manager or other representative of the AGENT shall attend bi-monthly meetings of the BOARD and the annual meeting of the OWNERS. Each meeting shall be limited in duration to two (2) hours. The AGENT shall be paid at the rate of fifty dollars (\$50) per hour for all time in excess of the allotted two (2) hours. Regular BOARD meetings will be held during normal business hours (8:00 am-5:00 pm). The Property Manager will at the request of the Board attend two site inspections at no charge per year.

The Property Manager or other representative of the AGENT shall, upon not less than 36 hours notice, attend meetings other than bi-monthly meetings of the Board or annual meeting of the OWNERS as requested, provided that the BOARD shall pay the AGENT \$50.00 per hour for the Property Manager's or other representative's attendance at each meeting. The AGENT shall be custodian of the official records of the BOARD and the ASSOCIATION but shall not be required to record the minutes of the meeting.

8.0 The BOARD shall designate a single individual who shall be authorized to deal with the AGENT on any matter relating to the management of the ASSOCIATION. The AGENT is directed not to accept directions or instruction with regard to the management of the ASSOCIATION from anyone else. In the absence of any other designation by the BOARD, the President of the BOARD shall have this authority.

9.0 The AGENT shall have no authority to make any structural changes in the ASSOCIATION or to make any other major alterations or additions in or to any building or equipment therein, except such emergency repairs as may be required because of danger to life or property or which are immediately necessary for the preservation and safety of the ASSOCIATION or the safety of the OWNERS and occupants or are required to avoid the suspension of any necessary service to the ASSOCIATION.

9.1 The AGENT has no responsibility for the compliance of the ASSOCIATION or any of its equipment with the requirements of any ordinances, laws, rules, or regulations (including those relating to the disposal of solid, liquid, and gaseous wastes) of the Village, Town, City, County, State or Federal Government, or any public authority or official thereof having jurisdiction over it, except to notify the BOARD promptly of, or forward to the BOARD promptly, any complaints, warnings, notices, or summonses received by it relating to such matters.

9.2 The OWNERS represent that to the best of their knowledge the ASSOCIATION complies with all such requirements, as named in Paragraph 9.1, and authorize the AGENT to disclose the ownership of the ASSOCIATION to any such officials, and agree to indemnify and hold harmless the AGENT, its representatives, servants, and employees, of and from all loss, cost, expense, and liability whatsoever which may be imposed on them or any of them by reason of any present or future violation or alleged violation of such laws, ordinances, rules, or regulations.

10.0 The BOARD shall:

10.1 Indemnify, defend, and save the AGENT harmless from all suits in connection with the ASSOCIATION and from liability for damage to property and injuries to or death of any employee or other person whomsoever, and carry at its own expense public liability, boiler, elevator liability (if elevators are part of the equipment of the ASSOCIATION), naming the BOARD and the AGENT and adequate to protect their interest and in form, substance, and amounts reasonably satisfactory to the AGENT and furnish to the AGENT certificates evidencing the existence of such insurance. Unless the BOARD shall provide such insurance and furnish such certificates within thirty (30) days from the date of this agreement, the AGENT may, but shall not be obligated to, place

said insurance and charge the cost thereof to the account of the BOARD.

10.2 Pay all expenses incurred by the AGENT including, without limitation, attorneys' fees for counsel employed to represent the AGENT or the BOARD in any proceeding or suit involving an alleged violation by the AGENT or the BOARD, or both, of any constitutional provision, statute, ordinance, law, or regulation of any governmental body pertaining to environmental protection or fair housing including, without limitation, those prohibiting or making illegal discrimination on the basis of race, creed, color, religion, or national origin in the sale, rental, or other disposition of housing or any services rendered in connection therewith. Nothing herein contained shall require the AGENT to employ counsel to represent the BOARD in any such proceeding or suit.

10.3 Anything herein to the contrary notwithstanding the BOARD will not assume any liability or responsibility or indemnification for damages, injury or death resulting from gross negligence, illegal or criminal acts by the AGENT or its employees, and the AGENT will indemnify the BOARD from all damages resulting from such acts.

11.0 This agreement may be terminated by either OWNER or AGENT, with or without cause, at the end of the initial term or of any following term year upon the giving of sixty (60) days written notice prior to the end of said initial term or following term year.

11.1 Notwithstanding the foregoing, either party shall have the right to terminate this agreement immediately, and all obligations of the parties hereunder shall cease (except as to liabilities or obligations which have accrued or arisen prior to such termination, and obligations to insure and indemnify), upon the occurrence of any of the following events:

(a) BREACH OF AGREEMENT - Thirty (30) days after the receipt of notice by either party to the other specifying in detail a material breach of this Agreement, if such breach has not been cured within said thirty (30) day period; or if such breach is of a nature that it cannot be cured within said thirty (30) day period but can be cured within a reasonable time thereafter, if efforts to cure such breach have not commenced or/and such efforts are not proceeding and being continued diligently both during and after such thirty (30) day period prior to the breach being cured. HOWEVER, the breach of any obligation of either party hereunder to pay any monies to the other party under the terms of this Agreement shall be deemed to be curable within thirty (30) days.

(b) FAILURE TO ACT, ETC. - In the event that any insurance required of OWNER is not maintained without any lapse, or it is alleged or charged that the Premises, or any portion thereof, or any act or failure to act by OWNER, its agent and employees with respect to the Premises, fails to comply with any law or regulation, or any order or ruling of any public authority, and AGENT, in its sole discretion, considers that the action or position of OWNER or its representatives with respect thereto may result in damage or liability to AGENT, or disciplinary proceeding with respect to AGENT'S license, AGENT shall have the right to terminate this Agreement at any time by written notice to OWNER of its election to do so, which termination shall be effective upon the service of such notice. Such termination shall not release the indemnities of OWNER set forth herein.

11.2 In the event a petition of bankruptcy is filed by or against the AGENT, or in the event that the AGENT shall make an assignment for the benefit of creditors, or take advantage of any federal or state bankruptcy or insolvency act, either party hereto may terminate this Agreement upon

five (5) days  written notice to the other.

12.0 Any notice required or permitted to be served hereunder may be served by registered or certified mail or in person as follows:

12.1 If to the AGENT:

Firm: Kenrick Corporation  
Address: 3495 Winton Place, Building D, Suite 4  
City: Rochester, New York 14623

12.2 If to the BOARD, to the President of the BOARD at his or her home address.

Either party may change the address for notice by notice to the other party. Notice served by mail shall be deemed to have been served when deposited in the mail.

13.0 This agreement shall be binding upon and inure to the benefit of the successors and assigns of the AGENT and the heirs, administrators, successors, and assigns of the BOARD. Notwithstanding the preceding sentence the AGENT shall not assign its interest under this agreement except in connection with the sale of all or substantially all the assets of this business: in the event of such a sale, AGENT shall be released from liability hereunder upon the express assumption of such liability by its assignee.

IN WITNESS WHEREOF, the parties hereto have affixed or caused to be affixed their respective signatures this 25th day of November, 2008.

WITNESSES:

RIVERS RUN HOMEOWNERS ASSOCIATION, INC.  
BOARD OF DIRECTORS

KENRICK CORPORATION

Claudia S. Blumstock

[Signature]

AGENT

## RIVERS RUN HOMEOWNERS ASSOCIATION, INC.

### AMENDMENT NO. 6

This is the Sixth Amendment to the Offering Plan for the Rivers Run Homeowners Association, Inc. The primary purpose of the amendment is to extend the offering.

1. A reserve account has been set up at Community Association Bank, a Division of Mutual of Omaha Bank, Main Office, P.O. Box 60095, Phoenix, Arizona 85082. It currently contains \$37,144.44. There is no working capital fund.

2. All units except Unit 201, 202, 203, 301, 303, 304, 401, 404, 501, 503, 504, 601, 604, 702, 703, 1101, 1102, 1202, 1401 and 1803 are owned by Sponsor. There are purchase contracts pending for Units 204, 502, 1403 and 1801.

3. The current Board of Directors is Patrick Tobin, 71 Linden Street, Rochester, N.Y. 14602, Claudia Blumenstock, 407 Taylor Road, Honeoye Falls, New York 14472 and Anita Ellen Harris, 8334 E. Main Road, Leroy, New York 14482. Mr. Tobin is President of Living Communities, LLC, the sole member of the Sponsor; Ms. Blumenstock is Executive Vice President of Sponsor and Ms. Harris is Vice President of Operations of Sponsor.

4. Sponsor is in control of the Board and will remain in control until all units are sold or five (5) years from September 26, 2006, whichever first occurs.

5. The first meeting of the homeowners will occur after the Sponsor's control period has ended.

6. The Sponsor remains liable for all Association expenses over and above those collected from the Unit owners. In 2009, these expenses totaled \$34,653.00.

7. The Sponsor has paid the most-recent real property taxes for the current year. The 2010 County tax was \$25,591.84 and the 2009-10 School tax was \$37,268.99. Bills have been rendered for individual units.

8. There is one home occupied by tenants. The total rent collected monthly is \$2,000.00 per month.

9. Sponsor's obligations to the homeowner's association which will become due in the next twelve (12) months are payment of Association expenses and payments for completion of improvements.

10. All unsold units subject to the Offering Plan are subject to a line of credit with M&T on which there is a current balance of \$3,616,270.00. It is a demand note, with monthly payments of interest only. The interest rate is 2.25% over the LIBOR rate. There is also a mortgage with S&T Bank with a principal balance of \$332,531.74 encumbering Lots 204, 302 and 403.

11. Sponsor's obligations will be funded from projected sales and if necessary, from other assets of Sponsor.

12. The Sponsor is current on all financial obligations relating to the Homeowners Association and under the M&T mortgage.

13. Patrick Tobin and David Christa, principals of Sponsor, are also principals in the Sagamore on East Condominium, CD 03-0170, 130 East Avenue, Rochester, New York and the Plains at Parish Homestead HOA (H07-0014), Oneonta, New York. They are current on all financial obligations pertaining to those projects. The offering plans for these projects are available for inspection at the office of the Sponsor and at the office the New York State Department of Law, 120 Broadway, 23rd Floor, New York, New York 10271.

14. A new 2010 budget is attached as Exhibit A. A certification of the budget is attached as Exhibit B. Financial statements for 2009 are attached as Exhibit C.

15. The number of lots in the development has been reduced from 67 to 65. Units 1404 and 1804 have been eliminated by changing blocks of 4 units to 3 larger units. The size of the blocks has not changed.

16. There have been no other material changes of facts and circumstances affecting the property which is the subject of this offering or the offering itself.

**RIVERS RUN, LLC, Sponsor**

**SCHEDULE A**  
**RIVERS RUN**  
**BUDGET FOR HOA OPERATION**  
**BEGINNING JANUARY, 2010**

Projected Income		
Maintenance Charges		\$153,190.00
Other Income		-0.00-
<b>TOTAL</b>		<u>\$153,190.00</u>
Projected Expenses		
Electricity		2,844.00
Repairs, Maintenance and Supplies		-0.00-
Landscaping (mowing and trimming)		15,525.37
Snow Removal		47,000.00
Refuse Removal		12,462.00
Insurance		27,000.00
Management Fee		14,472.00
Legal Fees		700.00
Accounting Fees		2,750.00
Taxes:		
Real Property Taxes		3,267.63
Franchise and Corporate Taxes		-0.00-
Reserves:		
Exterior Painting	\$ 4,000.00	
Roofing	5,863.00	
Asphalt Sealing	3,266.00	
Resurface	10,500.00	
Sidewalks	<u>3,540.00</u>	
		<u>27,169.00</u>
<b>TOTAL</b>		<u>\$153,190.00</u>



April 14, 2010

New York State Department of Law  
Real Estate Financing Bureau  
120 Broadway, 23<sup>rd</sup> floor  
New York, New York 10271

Re: Rivers Run Homeowners Association Inc.  
Town of Henrietta, New York

Gentlemen:

The Sponsor of the Homeowners Association has retained me to review the estimated annual budget containing projections of income and expenses for the fiscal year, January 1, 2010 – December 30, 2010. My experience in this field includes:

Involvement in the development, conversion, marketing, and management of condominium and homeowners associations since 1982 and, prior to that, the construction, rehabilitation and management of commercial and multi-family residential rental properties since 1972. Current management accounts, (35) include apartments, condominiums, homeowners associations, and office buildings.

I understand that I am responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law Part 22 insofar as they are applicable to Schedule A.

I have reviewed the schedule and investigated the facts set forth in Schedule A, and the facts underlying them with due diligence in order to form a basis for this certification. I have also relied on my experience in managing residential properties.

I certify that the projections in Schedule A appear reasonable and adequate under existing circumstances, and the projected income will be sufficient to meet the anticipated operating expenses for the projected year or operation as a Homeowners Association.

I certify that the Schedule:

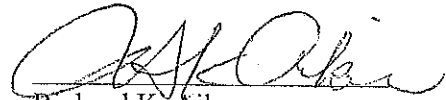
1. sets forth in detail the terms of the projected income and expenses for the operation for the homeowners association; appear reasonable and adequate based on present prices (adjusted to reflect continued inflation and present levels of consumption for comparable units similarly situated);



2. affords potential investors, purchasers and participants an adequate basis upon which to found their judgment concerning the operation as a Homeowners Association;
3. does not omit any material fact;
4. does not contain any untrue statement of a material fact;
5. does not contain any fraud, deception, concealment or suppression;
6. does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances; and
7. does not contain any representation or statement which is false, where I (a) knew the truth; (b) with reasonable effort could have known the truth; (c) made no reasonable effort to ascertain the truth; or (d) did not have knowledge concerning the representations or statements made.

I further certify that I am not owned or controlled by the Sponsor. I understand that a copy of this Certification is intended to be incorporated into the Offering Plan. This statement is not intended as a guarantee or warranty of the income and expenses for the Homeowners Association.

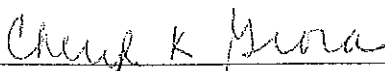
This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. I understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.



Richard K. Aikens  
Kenrick Corporation

STATE OF NEW YORK }  
COUNTY OF MONROE } ss:

Sworn to before me this 14<sup>th</sup> day  
of April 2010

  
\_\_\_\_\_  
Notary Public

CHERYL K GIOIA  
Notary Public, State of New York  
Qualified in Monroe County  
Reg. # 01G16145814  
My Commission Expires 05/15/2010

**RIVERS RUN HOMEOWNERS' ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2009**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rivers Run Homeowners' Association  
Rochester, New York

We have audited the accompanying balance sheets of Rivers Run Homeowners' Association as of December 31, 2009 and 2008, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rivers Run Homeowners' Association as of December 31, 2009 and 2008, and the changes in its fund balances and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
March 3, 2010

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Balance Sheets**  
**December 31, 2009 and 2008**

	<u>2009</u>			<u>2008</u>		
	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 1,345	\$ 28,730	\$ 30,075	\$ 503	\$ 18,492	\$ 18,995
Accounts receivable	668	-	668	361	540	901
Interfund receivable	-	-	-	(813)	813	-
Due from developer	12,960	6,949	19,909	12,040	-	12,040
Prepaid expenses	3,600	-	3,600	-	-	-
<b>Total Assets</b>	<b><u>\$ 18,573</u></b>	<b><u>\$ 35,679</u></b>	<b><u>\$ 54,252</u></b>	<b><u>\$ 12,091</u></b>	<b><u>\$ 19,845</u></b>	<b><u>\$ 31,936</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 13,580	\$ -	\$ 13,580	\$ 8,562	\$ -	\$ 8,562
Accrued expenses	1,564	-	1,564	100	-	100
Total current liabilities	<u>15,144</u>	<u>-</u>	<u>15,144</u>	<u>8,662</u>	<u>-</u>	<u>8,662</u>
<b>Fund Balances</b>	<u>3,429</u>	<u>35,679</u>	<u>39,108</u>	<u>3,429</u>	<u>19,845</u>	<u>23,274</u>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 18,573</u></b>	<b><u>\$ 35,679</u></b>	<b><u>\$ 54,252</u></b>	<b><u>\$ 12,091</u></b>	<b><u>\$ 19,845</u></b>	<b><u>\$ 31,936</u></b>

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Statements of Revenues, Expenses, and Changes in Fund Balances**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>			<u>2008</u>		
	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>
<b>Revenues</b>						
Member assessments	\$ 37,031	\$ 8,424	\$ 45,455	\$ 29,618	\$ 6,717	\$ 36,335
Developers' contributions	26,145	8,508	34,653	11,131	4,608	15,739
Cable television assessment	10,012	-	10,012	5,139	-	5,139
Interest	6	-	6	-	24	24
<b>Total revenues</b>	<u>73,194</u>	<u>16,932</u>	<u>90,126</u>	<u>45,888</u>	<u>11,349</u>	<u>57,237</u>
<b>Expenses</b>						
Bank service charges	-	-	-	120	-	120
Cable television	10,379	-	10,379	3,304	-	3,304
Directors' and officers' insurance	-	-	-	3,342	-	3,342
Income taxes	100	-	100	-	-	-
Landscaping and snowplowing	29,898	-	29,898	18,187	-	18,187
Liability insurance	7,154	-	7,154	717	-	717
Management fees	3,648	-	3,648	7,226	-	7,226
Office	473	-	473	-	-	-
Professional fees	4,766	-	4,766	2,445	-	2,445
Real estate taxes	1,970	-	1,970	-	-	-
Repairs and maintenance	8,462	1,098	9,560	6,118	-	6,118
Trash service	4,006	-	4,006	3,463	-	3,463
Utilities	2,338	-	2,338	966	-	966
<b>Total expenses</b>	<u>73,194</u>	<u>1,098</u>	<u>74,292</u>	<u>45,888</u>	<u>-</u>	<u>45,888</u>
<b>Excess of Revenues Over Expenses</b>	-	15,834	15,834	-	11,349	11,349
<b>Fund Balances - Beginning</b>	<u>3,429</u>	<u>19,845</u>	<u>23,274</u>	<u>3,429</u>	<u>8,496</u>	<u>11,925</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,429</u>	<u>\$ 35,679</u>	<u>\$ 39,108</u>	<u>\$ 3,429</u>	<u>\$ 19,845</u>	<u>\$ 23,274</u>

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2009 and 2008**

	<u>2009</u>			<u>2008</u>		
	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>						
<b>Excess of Revenues Over Expenses</b>	\$ -	\$ 15,834	\$ 15,834	\$ -	\$ 11,349	\$ 11,349
<b>Changes in assets and liabilities</b>						
Accounts receivable	(307)	540	233	(361)	(540)	(901)
Interfund receivable	(813)	813	-	813	(813)	-
Due from developer	(920)	(6,949)	(7,869)	(11,087)	3,276	(7,811)
Prepaid expenses	(3,600)	-	(3,600)	1,436	-	1,436
Accounts payable	5,018	-	5,018	8,562	-	8,562
Accrued expenses	1,464	-	1,464	-	-	-
Net cash flows from operating activities	<u>842</u>	<u>10,238</u>	<u>11,080</u>	<u>(637)</u>	<u>13,272</u>	<u>12,635</u>
<b>Net Change in Cash and Cash Equivalents</b>	842	10,238	11,080	(637)	13,272	12,635
<b>Cash and Cash Equivalents - Beginning</b>	<u>503</u>	<u>18,492</u>	<u>18,995</u>	<u>1,140</u>	<u>5,220</u>	<u>6,360</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 1,345</u>	<u>\$ 28,730</u>	<u>\$ 30,075</u>	<u>\$ 503</u>	<u>\$ 18,492</u>	<u>\$ 18,995</u>

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies and Scope of Business**

**Scope of Business** - The Rivers Run Homeowners' Association is a Homeowners' association organized as a not-for-profit corporation for the purpose of maintaining and preserving common property of the Rivers Run development. The Rivers Run Homeowners' Association condominium complex consists of 65 residential units occupying a site of approximately 14 acres located at Fairwood Drive in the town of Henrietta, New York. The complex is currently being developed.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Method of Accounting** - The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds, and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

**Cash and Cash Equivalents** - Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

**Income Taxes** - The Association elected to file its tax return for 2009 as a corporation on form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2009, the Association had no taxable non-membership income. Federal and state income tax provisions of approximately \$125 have been recorded.

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes, which prescribed a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Association adopted FIN 48 as of January 1, 2009 and therefore, recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the federal statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There was no impact to the Association's financial statements as a result of the implementation of FIN 48. The Association's income tax filings are subject to audit by various taxing authorities. The Association's open audit period is 2005-2009.

**Subsequent Events** - On May 28, 2009, the FASB issued ASC 855-10 (prior authoritative literature: SFAS No. 165 "Subsequent Events"). ASC 855-10 provides guidance on management's assessment of subsequent events and requires additional disclosure about the timing of management's assessment of subsequent events. It does not significantly change the accounting requirements for the reporting of subsequent events. ASC 855-10 is effective for interim or annual financial periods ending after June 15, 2009. The COMPANY adopted ASC 855-10 as of December 31, 2009 and accordingly assessed subsequent events in these annual financial statements from December 31, 2009 through March 3, 2010. The adoption of this standard did not materially impact the Company's financial position, results of operations, changes in fund balance or disclosures in the financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Notes to Financial Statements**

**Note 2. Due from Developer**

At December 31, 2009, the Association was owed \$19,909 from Rivers Run, LLC, the developer. The receivable is an unsecured and non-interest bearing loan. The amount represents the developer's responsibility to fund the excess expenditures that exceed assessment income while the complex is being developed.

**Note 3. Owners' Assessments**

Monthly assessments to owners were \$191 for the year ended December 31, 2009. Of those amounts, \$36 was designated to the replacement fund. As of December 31, 2009 and 2008, twenty four units and eighteen units, respectively, were occupied and thirty two and thirty six, respectively, were completed.

**Note 4. Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The board of directors conducted a study in April 2006 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed architects and engineers. The unaudited table below is based on the study for all 65 units.

<u>Item</u>	<u>Cost</u>	<u>Life Cycle</u>	<u>Annual Contribution</u>	<u>Prior Year</u>	<u>Current Reserve</u>	<u>Total Reserve</u>
Exterior Painting	\$ 20,000	5 yrs	\$ 4,000	\$ 2,922	\$ 2,332	\$ 5,254
Roofing	175,875	30 yrs	5,863	4,282	3,417	7,699
Asphalt (140,000sf)						
Sealing @ .07/sf	9,800	3 yrs	3,266	2,386	1,903	4,289
Resurface @ .75/sf	105,000	10yrs	10,500	7,669	6,119	13,788
Concrete Sidewalks (11,800sf) 6/sf	70,800	20 yrs	3,540	2,586	2,063	4,649
<b>Total</b>	<b>\$381,475</b>	<b>20 yrs</b>	<b>\$ 27,169</b>	<b>\$ 19,845</b>	<b>\$ 15,834</b>	<b>\$ 35,679</b>

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.



**RIVERS RUN HOMEOWNERS ASSOCIATION, INC.**

**AMENDMENT NO. 7**

This is the Seventh Amendment to the Offering Plan for the Rivers Run Homeowners Association, Inc. The primary purpose of the amendment is to extend the offering.

1. All units except Unit 201, 202, 203, 204, 301, 303, 304, 401, 404, 501-504, 601, 702, 703, 1101, 1102, 1202, 1203, 1301, 1401, 1403 and 1803 are owned by Sponsor. There is a purchase contract pending for Units 1601 and 1801.

2. The current Board of Directors is Patrick Tobin, 71 Linden Street, Rochester, N.Y. 14602, Susan Bussey of 5 Harleston Lane, East Rochester, New York 14445 and Anita Ellen Harris, 8334 E. Main Road, Leroy, New York 14482. Mr. Tobin is President of Living Communities, LLC, the sole member of the Sponsor; Ms. Heegan is the Director of Marketing for Sponsor and Ms. Harris is Vice President of Operations of Sponsor.

3. Sponsor is in control of the Board and will remain in control until all units are sold or five (5) years from September 26, 2006, whichever first occurs.

4. The first meeting of the homeowners will occur after the Sponsor's control period has ended.

5. The Sponsor remains liable for all Association expenses over and above those collected from the Unit owners.

6. The Sponsor has paid the most recent real property taxes for the current year. The 2011 County tax was \$24,589.00 and the 2010-11 School tax was \$36,293.00. Bills have been rendered for individual units.

7. There are two homes occupied by tenants. The total rent collected monthly is \$4,850.00 per month.

8. Sponsor's obligations to the homeowner's association which will become due in the next twelve (12) months are payment of Association expenses and payments for completion of improvements.

9. All unsold units subject to the Offering Plan are subject to a line of credit with M&T on which there is a current balance of \$3,120,351.00. It is a demand note, with monthly payments of interest only. The interest rate is 2.25% over the LIBOR rate. There is also a mortgage with S&T Bank with a principal balance of \$372,465.00 encumbering Lots 204, 302 and 403.

10. Sponsor's obligations will be funded from projected sales and if necessary, from other assets of Sponsor.

11. The Sponsor is current on all financial obligations relating to the Homeowners Association and under the M&T mortgage and has been in the 12 months preceding this amendment.

12. Patrick Tobin and David Christa, principals of Sponsor, are also principals in the Sagamore on East Condominium, CD 03-0170, 130 East Avenue, Rochester, New York and the Plains at Parish Homestead HOA (H07-0014), Oneonta, New York. They are current on all financial obligations pertaining to those projects. The offering plans for these projects are available for inspection at the office of the Sponsor and at the office the New York State Department of Law, 120 Broadway, 23rd Floor, New York, New York 10271.

13. A new 2011 budget is attached as Exhibit A. A certification of the budget is attached as Exhibit B. Financial statements for 2010 are attached as Exhibit C.

14. There have been no other material changes of facts and circumstances affecting the property which is the subject of this offering or the offering itself.

**RIVERS RUN, LLC, Sponsor**

**SCHEDULE A**

**RIVERS RUN  
BUDGET FOR HOA OPERATION  
BEGINNING JANUARY, 2011**

Projected Income		
Maintenance Charges (65 Units at \$200/mo.)		\$156,000.00
<b>TOTAL</b>		<u>\$156,000.00</u>
Projected Expenses		
Electricity		2,844.00
Repairs, Maintenance and Supplies		7,000.00
Landscaping (mowing and chemical applications)		31,220.00
Snow Removal		38,147.00
Refuse Removal		11,140.00
Insurance		21,975.00
Management Fee		12,480.00
Legal Fees		500.00
Accounting Fees		2,750.00
Exterior Painting		2,500.00
Office Expense		750.00
Taxes:		
Real Property Taxes		3,300.00
Franchise and Corporate Taxes		100.00
Reserves:		
Roofing	5,863.00	
Asphalt Sealing	3,266.00	
Resurface	9,333.00	
Sidewalks	<u>2,832.00</u>	
		<u>21,294.00</u>
<b>TOTAL</b>		<u>\$156,000.00</u>



March 23, 2011

New York State Department of Law  
Real Estate Financing Bureau  
120 Broadway, 23<sup>rd</sup> floor  
New York, New York 10271

Re: Rivers Run Homeowners Association Inc.  
Town of Henrietta, New York

Gentlemen:

The Sponsor of the Homeowners Association has retained me to review the estimated annual budget containing projections of income and expenses for the fiscal year, January 1, 2011 – December 30, 2011. My experience in this field includes:

Involvement in the development, conversion, marketing, and management of condominium and homeowners associations since 1982 and, prior to that, the construction, rehabilitation and management of commercial and multi-family residential rental properties since 1972. Current management accounts, (35) include apartments, condominiums, homeowners associations, and office buildings.

I understand that I am responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law Part 22 insofar as they are applicable to Schedule A.

I have reviewed the schedule and investigated the facts set forth in Schedule A, and the facts underlying them with due diligence in order to form a basis for this certification. I have also relied on my experience in managing residential properties.

I certify that the projections in Schedule A appear reasonable and adequate under existing circumstances, and the projected income will be sufficient to meet the anticipated operating expenses for the projected year or operation as a Homeowners Association.

I certify that the Schedule:

1. sets forth in detail the terms of the projected income and expenses for the operation for the homeowners association; appear reasonable and adequate based on present prices (adjusted to reflect continued inflation and present levels of consumption for comparable units similarly situated);

2. affords potential investors, purchasers and participants an adequate basis upon which to found their judgment concerning the operation as a Homeowners Association;
3. does not omit any material fact;
4. does not contain any untrue statement of a material fact;
5. does not contain any fraud, deception, concealment or suppression;
6. does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances; and
7. does not contain any representation or statement which is false, where I (a) knew the truth; (b) with reasonable effort could have known the truth; (c) made no reasonable effort to ascertain the truth; or (d) did not have knowledge concerning the representations or statements made.

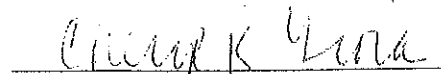
I further certify that I am not owned or controlled by the Sponsor. I understand that a copy of this Certification is intended to be incorporated into the Offering Plan. This statement is not intended as a guarantee or warranty of the income and expenses for the Homeowners Association.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. I understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

  
Richard K. Aikens  
Kenrick Corporation

STATE OF NEW YORK }  
COUNTY OF MONROE } ss:

Sworn to before me this 23<sup>rd</sup> day  
of March 2010

  
Notary Public

RKA/lbk

CHERYL K. GIOIA  
Notary Public - State of New York  
No. 01GIS145814  
Qualified in Monroe County  
My Commission Expires May 15, 2014

**RIVERS RUN HOMEOWNERS' ASSOCIATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2010**



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Rivers Run Homeowners' Association  
Rochester, New York

We have audited the accompanying balance sheets of Rivers Run Homeowners' Association as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in fund balances, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rivers Run Homeowners' Association as of December 31, 2010 and 2009, and the changes in its fund balances and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*EFP Rotenberg, LLP*

EFP Rotenberg, LLP  
Rochester, New York  
March 17, 2011

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Balance Sheets**  
**December 31, 2010 and 2009**

	<u>2010</u>			<u>2009</u>		
	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents	\$ 685	\$ 39,437	\$ 40,122	\$ 1,345	\$ 28,730	\$ 30,075
Accounts receivable	1,449	-	1,449	668	-	668
Due from developer	-	9,060	9,060	12,960	6,949	19,909
Prepaid expenses	<u>15,101</u>	<u>-</u>	<u>15,101</u>	<u>3,600</u>	<u>-</u>	<u>3,600</u>
<b>Total Assets</b>	<u>\$ 17,235</u>	<u>\$ 48,497</u>	<u>\$ 65,732</u>	<u>\$ 18,573</u>	<u>\$ 35,679</u>	<u>\$ 54,252</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 11,280	\$ -	\$ 11,280	\$ 13,580	\$ -	\$ 13,580
Accrued expenses	100	-	100	1,564	-	1,564
Due to developer	240	-	240	-	-	-
Deferred Revenue	<u>2,186</u>	<u>-</u>	<u>2,186</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>13,806</u>	<u>-</u>	<u>13,806</u>	<u>15,144</u>	<u>-</u>	<u>15,144</u>
<b>Fund Balances</b>	<u>3,429</u>	<u>48,497</u>	<u>51,926</u>	<u>3,429</u>	<u>35,679</u>	<u>39,108</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 17,235</u>	<u>\$ 48,497</u>	<u>\$ 65,732</u>	<u>\$ 18,573</u>	<u>\$ 35,679</u>	<u>\$ 54,252</u>

The accompanying notes are an integral part of these financial statements.



**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Statements of Revenues, Expenses, and Changes in Fund Balances**  
**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>			<u>2009</u>		
	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>
<b>Revenues</b>						
Member assessments	\$ 46,123	\$ 10,692	\$ 56,815	\$ 37,031	\$ 8,424	\$ 45,455
Developers' contributions	40,151	11,089	51,240	26,145	8,508	34,653
Cable television assessment	10,716	-	10,716	10,012	-	10,012
Interest	68	29	97	6	-	6
Total revenues	<u>97,058</u>	<u>21,810</u>	<u>118,868</u>	<u>73,194</u>	<u>16,932</u>	<u>90,126</u>
<b>Expenses</b>						
Cable television	12,509	-	12,509	10,379	-	10,379
Income taxes	-	-	-	100	-	100
Landscaping and snowplowing	47,447	-	47,447	29,898	-	29,898
Liability insurance	10,759	-	10,759	7,154	-	7,154
Management fees	4,944	-	4,944	3,648	-	3,648
Office	724	-	724	473	-	473
Professional fees	3,493	-	3,493	4,766	-	4,766
Real estate taxes	2,296	-	2,296	1,970	-	1,970
Repairs and maintenance	6,550	8,992	15,542	8,462	1,098	9,560
Trash service	4,873	-	4,873	4,006	-	4,006
Utilities	3,463	-	3,463	2,338	-	2,338
Total expenses	<u>97,058</u>	<u>8,992</u>	<u>106,050</u>	<u>73,194</u>	<u>1,098</u>	<u>74,292</u>
<b>Excess of Revenues Over Expenses</b>	-	12,818	12,818	-	15,834	15,834
<b>Fund Balances - Beginning</b>	<u>3,429</u>	<u>35,679</u>	<u>39,108</u>	<u>3,429</u>	<u>19,845</u>	<u>23,274</u>
<b>Fund Balances - Ending</b>	<u>\$ 3,429</u>	<u>\$ 48,497</u>	<u>\$ 51,926</u>	<u>\$ 3,429</u>	<u>\$ 35,679</u>	<u>\$ 39,108</u>

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>			<u>2009</u>		
	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>	<u>Operating Fund</u>	<u>Reserve Replacement Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>						
<b>Excess of Revenues Over Expenses</b>	\$ -	\$ 12,818	\$ 12,818	\$ -	\$ 15,834	\$ 15,834
Changes in assets and liabilities						
Accounts receivable	(781)	-	(781)	(307)	540	233
Interfund receivable	-	-	-	(813)	813	-
Due from developer	13,200	(2,111)	11,089	(920)	(6,949)	(7,869)
Prepaid expenses	(11,501)	-	(11,501)	(3,600)	-	(3,600)
Accounts payable	(2,300)	-	(2,300)	5,018	-	5,018
Accrued expenses	(1,464)	-	(1,464)	1,464	-	1,464
Deferred revenue	2,186	-	2,186	-	-	-
Net cash flows from operating activities	<u>(660)</u>	<u>10,707</u>	<u>10,047</u>	<u>842</u>	<u>10,238</u>	<u>11,080</u>
<b>Net Change in Cash and Cash Equivalents</b>	(660)	10,707	10,047	842	10,238	11,080
<b>Cash and Cash Equivalents - Beginning</b>	<u>1,345</u>	<u>28,730</u>	<u>30,075</u>	<u>503</u>	<u>18,492</u>	<u>18,995</u>
<b>Cash and Cash Equivalents - Ending</b>	<u>\$ 685</u>	<u>\$ 39,437</u>	<u>\$ 40,122</u>	<u>\$ 1,345</u>	<u>\$ 28,730</u>	<u>\$ 30,075</u>

The accompanying notes are an integral part of these financial statements.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies and Scope of Business**

**Scope of Business** - The Rivers Run Homeowners' Association is a Homeowners' association organized as a not-for-profit corporation for the purpose of maintaining and preserving common property of the Rivers Run development. The Rivers Run Homeowners' Association condominium complex consists of 65 residential units occupying a site of approximately 14 acres located at Fairwood Drive in the town of Henrietta, New York. The complex is currently being developed.

**Method of Accounting** - The Association uses fund accounting, which requires that funds, such as operating funds, deferred maintenance funds, and funds designated for future major repairs and replacements, be classified separately for accounting and reporting purposes. Disbursements from the operating fund are generally at the discretion of the board of directors and property manager. Disbursements from the replacement fund generally may be made only for designated purposes.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Cash and cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less. Accounts are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

**Income Taxes** - The Association elected to file its tax return for 2009 as a corporation on form 1120. As such, the Association must comply with Internal Revenue Code (IRC) Section 277, which applies to certain membership organizations. Under IRC Section 277, the Association is required to separate membership income and expenses from non-membership income and expenses. Each component is taxed separately; however, net membership income is exempt from taxation if certain elections are made. For the year ended December 31, 2010 and 2009, the Association had no taxable non-membership income. Federal and state income tax provisions of approximately \$100 have been recorded.

In accordance with ASC 740-10-50, *Accounting for Uncertainty in Income Taxes*, the corporation recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Interest and/or penalties related to income tax matters, if incurred, are recognized as a component of income tax expense. The corporation's income tax filings are subject to audit by various tax authorities. The corporation's open audit periods are 2007 through 2010.

**Subsequent Events** - In accordance with ASC 855-10, the corporation evaluated subsequent events through March 17, 2011 the date these financial statements were available to be issued.

**Note 2. Due from Developer**

At December 31, 2010, the Association was owed \$8,820 from Rivers Run, LLC, the developer. The receivable is an unsecured and non-interest bearing loan. The amount represents the developer's responsibility to fund the excess expenditures that exceed assessment income while the complex is being developed.

**RIVERS RUN HOMEOWNERS' ASSOCIATION**  
**Notes to Financial Statements**

**Note 3. Owners' Assessments**

Monthly assessments to owners were \$191 for the years ended December 31, 2010 and 2009. Of those amounts, \$36 was designated to the replacement fund. As of December 31, 2010 and 2009, twenty five and twenty four units, respectively, were occupied and thirty seven and thirty two, respectively, were completed.

**Note 4. Future Major Repairs and Replacements**

The Association's governing documents require that funds be accumulated for future major repairs and replacements. Accumulated funds are held in separate savings accounts and generally are not available for expenditures for normal operations.

The board of directors conducted a study in April 2006 to estimate the remaining useful lives and the replacement costs of the components of common property. The estimates were obtained from licensed architects and engineers. The unaudited table below is based on the study for all 65 units.

<u>Item</u>	<u>Cost</u>	<u>Life Cycle</u>	<u>Annual Contribution</u>	<u>Prior Year</u>	<u>Current Reserve</u>	<u>Total Reserve</u>
Exterior Painting	\$ 20,000	5 yrs	\$ 4,000	\$ 5,254	\$ 1,633	\$ 7,142
Roofing	175,875	30 yrs	5,863	7,699	2,393	10,465
Asphalt (140,000sf) sealing @ .07/sf	9,800	3 yrs	3,266	4,289	1,333	5,830
Resurface @ .75/sf	105,000	10yrs	10,500	13,788	4,285	18,741
Concrete sidewalks (11,800sf) 6/sf	70,800	20 yrs	3,540	4,649	1,445	6,319
<b>Total</b>	<b>\$ 381,475</b>	<b>-</b>	<b>\$ 27,169</b>	<b>\$ 35,679</b>	<b>\$ 11,089</b>	<b>\$ 48,497</b>

The board is funding for major repairs and replacements over the remaining useful lives of the components based on the study's estimates of current replacement costs and considering amounts previously accumulated in the replacement fund.

Funds are being accumulated in the replacement fund based on estimates of future needs for repairs and replacements of common property components. Actual expenditures may vary from the estimated future expenditures, and the variations may be material. Therefore, amounts accumulated in the replacement fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the Association has the right, subject to membership approval, to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available.