
PUBLIC OFFERING STATEMENT

Filed and Presented by:



100 Craig Road
Freehold, New Jersey 07728

for

120 Condominium Units

located at

Hexham Drive
Township of Franklin, New Jersey

and designated as:



Trendmaker Homes North
at Quailbrook
by CALTON HOMES

A CONDOMINIUM

NOTICE TO PURCHASERS:

THIS PUBLIC OFFERING STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY. PURCHASERS SHOULD ASCERTAIN FOR THEMSELVES THAT THE PROPERTY OFFERED MEETS THEIR PERSONAL REQUIREMENTS. THE NEW JERSEY DIVISION OF HOUSING AND DEVELOPMENT HAS NEITHER APPROVED NOR DISAPPROVED THE MERITS OF THIS OFFERING. BE SURE TO READ CAREFULLY ALL DOCUMENTS BEFORE YOU SIGN THEM.

THIS PUBLIC OFFERING STATEMENT HAS BEEN FILED AND IS PRESENTED PURSUANT TO THE PLANNED REAL ESTATE DEVELOPMENT FULL DISCLOSURE ACT (N.J.S.A. 45: 22A-21 ET SEQ.), AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER.

Effective Date of Statement: February 10, 1986

FOREWARD

ANY PROSPECTIVE PURCHASER WHO ENTERS INTO A PURCHASE AGREEMENT CAN, AS A MATTER OF RIGHT, CANCEL THE AGREEMENT WITHOUT CAUSE BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO SPONSOR OR ITS AGENT BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH THE AGREEMENT IS EXECUTED AND ALL MONIES PAID SHALL BE PROMPTLY REFUNDED.

PUBLIC OFFERING STATEMENT
FOR
TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES, A CONDOMINIUM

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PUBLIC OFFERING STATEMENT

FOR

TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES, A CONDOMINIUM

1. INTRODUCTION

Calton Homes, Inc. (hereinafter the "Sponsor"), a New Jersey Corporation having an office at 100 Craig Road, Freehold, New Jersey 07728, presents herewith its Public Offering Statement for the establishment of a plan of condominium ownership (hereinafter the "Plan") with respect to a tract of land which aggregates approximately 11.6106 acres of land and for the sale of one hundred twenty (120) dwelling units to be located thereon (hereinafter "Units") in fifteen (15) two-story residential buildings, together with certain other improvements. The land, together with the buildings and all other improvements, is located in the Township of Franklin, County of Somerset and State of New Jersey and is to be known as "Trendmaker Homes North at Quailbrook by Calton Homes, A Condominium" (hereinafter the "Condominium" or "Property").

The Condominium will consist of one hundred twenty (120) Units in fifteen (15) buildings. Each building type will be similar and will contain eight (8) two-bedroom Units. The Condominium form of ownership will be established by the recordation of the Master Deed in the Somerset County Clerk's Office at or before the first conveyance of a Unit to an individual purchaser.

The creation of the Condominium is governed by the Condominium Act, N.J.S.A. 46:8B-1 et seq. The Condominium is part of a larger planned unit development of approximately 840 acres, within the Township of Franklin which, if developed in accordance with current approvals, will consist of up to 2,457 residential dwelling units and approximately 35.5 acres designated for commercial

and/or industrial development. Approvals for the entire planned unit development were obtained by the Sponsor's predecessor in title. The Sponsor has or is in the process of developing Phase I of the planned unit development, which consists of: Villas at Quailbrook by Calton Homes Phase I-A, consisting of one hundred four (104) fee simple townhouses; Townhomes at Quailbrook by Calton Homes Phase I-B, consisting of one hundred ten (110) fee simple townhouses; and, Gardenhomes at Quailbrook by Calton Homes Phase I-C consisting of one hundred twenty (120) fee simple townhouses. The Sponsor is the owner of and is developing Phase II of the planned unit development, which is intended to consist of 287 townhouse units and 32 single family lots; and Phase III, which will consist of 193 townhouse units, 52 single family lots and 136 condominium Units. In Phase IV, the Sponsor will also develop 172 townhouse units and 28 single family lots, which are not the subject of this offering. With the exception of the foregoing, the Sponsor is not presently engaged in the construction of any other portion of the planned unit development. The Planned Real Estate Development Full Disclosure Act, N.J.S.A. 45:22A-21 et seq., and the regulations adopted thereunder govern the sale of the Units in the Condominium.

The Condominium will be managed and administered by Trendmaker Homes North Condominium Association, Inc. (the "Association" or "Condominium Association"), a non-profit corporation of the State of New Jersey. The Sponsor has filed or will file a Certificate of Incorporation for the Association as required by law. A copy of the proposed Certificate of Incorporation of the Association is annexed as Exhibit "D" to the Master Deed. Each Unit Owner will automatically become a member of the Association by virtue of acceptance of a Deed to his Unit. No membership Certificates will be issued.

The By-Laws of the Association will be in the form set forth in Exhibit "E" of the Master Deed. In general, the By-Laws state the procedures to be followed in relation to the governance and operation of the Association, including the method of selection of the Board of Directors and officers of the Association, and the procedures for conduct by the Association and Board.

All multiple dwellings, even if they are under a condominium form of ownership, are subject to the Hotel and Multiple Dwelling Law (N.J.S.A. 55:13A-1 et seq.). The Association is considered as the owner for the purposes of the Hotel and Multiple Dwelling Law and is held responsible for the abatement of all violations which it has the power to abate and for the payment of registration and inspection fees. Unit Owners may be required to abate violations within their individual units.

The Master Deed and its exhibits, together with all other Exhibits annexed hereto, are an integral part of this Public Offering Statement and are incorporated herein by reference. The Sponsor recommends that these documents be carefully examined by prospective purchasers and their legal and financial advisors.

2. DESCRIPTION OF THE INTEREST TO BE CONVEYED

The interest held by the owner of a Unit in the Condominium ("Unit Owner") consists of two distinct but inseparable fee simple interests in real property. One is the exclusive ownership of the Unit itself and the other is the individual ownership of the Common Elements in common with all of the other Unit Owners.

A Unit generally consists of the space bounded by the upper surface of the uppermost ceiling of the Unit, the unexposed surface of the lowest subfloor of the lowest level of a Unit and the unexposed surfaces of the walls bordering

the Unit which separate the Unit from Common Elements. A more specific description of a Unit is set forth in Section 4 of the Master Deed. Although a Unit Owner is subject to certain restrictions on the use of his Unit which are contained in the Master Deed and By-Laws, he is entitled to the sole possession of his Unit and may generally decorate the interior of his Unit as he wishes. In addition, he is responsible for the Maintenance of the interior of the Unit as well as its doors and windows and must pay the cost of any utilities that are individually metered and utilized in his Unit.

A Unit Owner also owns an undivided proportionate interest in the Common Elements, which include but are not limited to such things as the parking areas, the land on which the buildings are erected, driveways, footings, the exterior and structural portions of the buildings together with any Units, equipment, furniture or other property which is owned or acquired by the Association.

Under Paragraph 5 of the Master Deed, the Common Elements are separated into two categories. General Common Elements can be broadly described as those which are for the use and benefit of all of the Units, and Limited Common Elements are generally those which are for the use and benefit of certain Units to the exclusion of other Units. The Sponsor recommends that each prospective purchaser consult Paragraph 5 of the Master Deed for a more complete description of the Common Elements.

The undivided percentage interest of each Unit Owner in the Common Elements has been established by the Sponsor and is expressed as a percentage of the whole in Exhibit F to the Master Deed. Each Unit Owner in the Condominium will have the same undivided percentage interest in the Common Elements as every other Unit Owner. The percentage interest of the Unit Owner in the Common Elements is significant in that it is utilized to allocate among the Unit Owners the casualty

insurance proceeds paid for any damage to the Common Elements, as well as those resulting from any condemnation or other disposition thereof. The percentage interest may also be used to apportion any common surplus of Association funds to individual Unit Owners. Moreover, the percentage interest figure will be used to determine the proportionate share of common expenses attributable to each Unit. The ownership of the Common Elements cannot be legally partitioned and thereby transformed from an undivided proportionate interest in all of the Common Elements to an exclusive interest in a portion thereof.

The interest held by a Unit Owner in the Condominium is similar to many other ownership interests in real property with respect to the rights and obligations which attach thereto. A Unit can be mortgaged provided that the mortgage loan is procured from a bank, insurance company, savings and loan association, or other financial institutional lender, or from the Seller of the Unit. A default under a mortgage encumbering any particular Unit does not affect the other Units, except to the extent that all Unit Owners may be required to contribute to assessments which are intended to compensate for delinquent and unpaid common expenses. In addition, a Unit Owner is permitted to lease his Unit, although there are certain restrictions imposed under Section 11 of the Master Deed such as that which requires a lease by a Unit Owner other than the Sponsor to be for a minimum term of six (6) months. Notwithstanding the preceding, the initial Owner of any Unit who has purchased his Unit from the Sponsor or any successor of the Sponsor must live in the Unit so purchased. A Unit Owner is also responsible for the payment of the real estate taxes which are assessed against his Unit. The failure of any particular Unit Owner to pay real estate taxes that are due does not result in the imposition of any liability for those taxes on the remaining Unit Owners.

Each individual Unit Owner who resides in his Unit should, under current law, be entitled to deduct from his gross income for federal income tax purposes the real property taxes assessed against his Unit and paid to the Township of Franklin and, in addition, the interest paid by him with respect to any mortgage indebtedness encumbering his Unit. The actual amount of any federal income tax deduction may increase or decrease as the amount of real estate taxes or mortgage interest actually paid by each Unit Owner changes. The exact amount of any such tax saving to each Unit Owner will depend upon his particular income tax bracket, and whether or not such Unit Owner elects to itemize his deductions from adjusted gross income. Neither the Sponsor, the Association nor any of their agents or employees hereby make or are authorized to make any other representation whatsoever as to the availability of the right or ability of any purchaser to claim and deduct for federal or New Jersey state income tax purposes monies spent by a Unit Owner on account of the ownership of a Unit. Any statement to the contrary is void and purchasers are directed to their legal and financial advisors for the purposes of ascertaining the availability of such deductions.

Each prospective Purchaser should be aware that the Unit Owner's title to the Unit itself cannot be separated from his interest in the Common Elements. In addition, each prospective purchaser should be aware that, as a Unit Owner, he will be bound by the terms of the Master Deed and By-Laws and any rules and regulations promulgated or adopted by the Board. The Unit Owner's interest in the Condominium is defined and governed by these documents as well as the Condominium Act and settled common law principles of property ownership.

The Condominium is part of a planned unit development known as Quailbrook. A description of the Quailbrook development is included in Section 1 of this Public Offering Statement. In granting its approvals for the Condominium

portion of the Quailbrook development, the Township of Franklin sought to insure that moderate income households would be able to afford certain residences at Quailbrook. In order to meet this mandate, the Sponsor will cause each prospective purchaser to complete an application process in order to determine whether said purchaser's household meets certain moderate income criteria. This criteria is that the prospective purchaser's household may not have a gross income exceeding \$42,000.00. Households at this gross income level are deemed to be moderate income households as is set forth in Exhibit 6 to this Public Offering Statement.

~~Initial purchasers of Units in the Condominium must qualify under the application procedure as being moderate income households. Purchasers are directed to Section 8 of this Public Offering Statement in order to review any additional restriction placed upon moderate income purchasers who are the original transferors of the Unit from the Sponsor.~~

The Sponsor will perform all advertising, promotional and selling activities in connection with this offering. No broker or sales agent is authorized or has been retained by the Sponsor to conduct promotional or selling activities on its behalf.

3. DESCRIPTION OF THE DEVELOPMENT

The Condominium is located in the Township of Franklin in Somerset County, New Jersey. The tract that will form the Condominium consists of a total of 11.6106 acres of land which is designated as Lot 14.1 in Block 424.08, on the Tax Map of the Township of Franklin.

The Property is located within a "PR-D-1 Planned Residential Multiple-Family Residence Zone" as defined in the Zoning Code of the Township of Franklin. Permitted uses within this district are limited to multi-family residential

dwelling with accessory commercial uses. The adjacent lands to the north and east of the Property have been developed as single-family residences.

Primary access to the Development will be from New Brunswick Road via Hexham Drive. New Brunswick Road and Hexham Drive are under construction and will be dedicated to the Township of Franklin for public use. Access to the buildings in the Condominium will be by way of an internal network of private roads and parking-courts which connect with Hexham Drive.

It is contemplated that there will be 240 parking spaces built in the Condominium. Initially, all parking spaces will be available on a first-come first-served basis. In the future, parking spaces may be available by assignment or any other basis that the Association may select.

The Condominium will be a 120 unit multi-family residential development. It will consist of fifteen (15) two-story garden apartment buildings situated around two separate landscaped parking courts. Each of the buildings is of frame construction and contains eight (8) one-bedroom or two-bedroom Units. The respective locations of the Buildings and Units are graphically displayed on the Site Plan attached as Exhibit B to the proposed Master Deed for Trendmaker Homes North at Quailbrook by Calton Homes, A Condominium, which is Exhibit 1 hereof.

As discussed more fully in Section 15 of this Public Offering Statement, each Unit contains an equipped kitchen, living and dining areas and full bathroom facilities. Each Unit contains a built-in climate control system which will supply heating and air conditioning. Payment for and maintenance of heat and air conditioning equipment is the responsibility of each respective Unit Owner. Electrical smoke detectors will also be installed in each Unit.

The Condominium will also contain two (2) adjoining tennis courts and an unsupervised play lot for young children, which will be reserved exclusively for the use of Condominium Unit Owners.

Presently there are no other recreational amenities contemplated by the Sponsor. The remainder of the Property on which improvements are not constructed will consist of open space available for passive recreational use. All unimproved portions of the Property will be planted with grass or continuous indigenous foliage.

Prospective purchasers should consult the Exhibits to the Master Deed for the purposes of familiarizing themselves with the location of all improvements, as well as for the purposes of ascertaining the location of any particular Unit in which they may be interested. The Sponsor has specifically reserved the right to utilize one or more Units for use as model(s) and/or as a sales center until the Sponsor has sold the last Unit in the ordinary course of business. By the terms of the Master Deed, Unit Owners other than the Sponsor will be limited to use of their Units for residential purposes only.

4. COMMUNITY INFORMATION

The Condominium is located off New Brunswick Road in Franklin Township, Somerset County, New Jersey. The Township is the provider of municipal services, as is described herein. The Township of Franklin has a land area of approximately forty-seven (47) square miles and has a population numbering approximately 32,000 residents according to 1980 estimates. The Condominium is approximately thirty-five (35) miles from New York City and forty (40) miles from Philadelphia.

Amtrak and Conrail provide more than forty daily mainline trains in each direction between New York and Philadelphia. Stations are located at Jersey Avenue (which offers a park-and-ride facility) within three miles of the Property

and in New Brunswick within four miles. Bound Brook offers additional east-west commuter train service approximately three miles from the Property.

Currently, seven (7) commuter buses leave each morning and nine (9) return each evening from and to a point along J.F.K. Boulevard, within two miles of the Property. From the Jersey Avenue park-and-ride lot, rush hour bus service is provided every five (5) minutes, and non-rush hour service every half hour to and from the Port Authority Bus Terminal in New York City.

Two major hospitals are located in New Brunswick within five (5) miles of the Property: St. Peter's Medical Center located on Easton Avenue has 420 beds; and Middlesex General Hospital on Somerset Avenue has 308 beds. Somerset Medical Center located in Somerville within ten (10) miles of the Property has 380 beds.

Elementary, intermediate and high school grades are available within two and one-half (2 1/2) miles of the Property. Children attending kindergarten through 3rd grade will be bussed to the Pine Grove Manor School one (1) mile from the Property. Conerly Road Elementary School contains 4th through 6th grades and is two (2) miles from the Property. Sampson G. Smith Intermediate School contains 7th and 8th grades approximately two (2) miles from the Property and students walk to school. Students attending 9th through 12th grades will be bussed to the Franklin High School approximately two and a half (2 1/2) miles from the Property.

The secondary schools are supplemented by a county vocational school system. In addition, there are several institutions offering higher education: Alma White College located in Franklin Township, Rutgers University approximately three (3) miles from Franklin Township and Somerset County College, Princeton University, Trenton State College and Rider College, all of which are within fifteen (15) miles of Franklin Township.

Churches and houses of worship within a short distance from the Property include: St. Matthias Roman Catholic Church on J.F.K. Boulevard; Community Baptist Church of Somerset on DeMott Lane; Emanuel Baptist Church in Somerset; St. Albans Episcopal Church in New Brunswick; Holy Trinity Lutheran Church on Amwell Road in Somerset; St. John's Lutheran Church on Winsor Avenue in Bound Brook; United Methodist Church at New Brunswick; Somerset Presbyterian Church on John F. Kennedy Boulevard; Our Lady of Peace in North Brunswick; Our Lady of Mt. Carmel Church in New Brunswick; St. Augustine Roman Catholic Church in Franklin Park; St. John the Baptist Roman Catholic Church in Millstone; Saints Peter and Paul Catholic Church in Somerset; Congregation Kneseth Israel in Bound Brook; and Temple Beth El of Somerset. Many of these institutions offer community nursery schools and child day care centers, as well as extensive programs for senior citizens.

Franklin Township has 600 acres of developed recreation areas which include tennis courts, nature trails, ball fields, bike paths, and facilities for fishing, boating and other activities. Over 150 acres are municipally owned, which land includes recreational facilities at municipal and school sites as well as neighborhood parks, including Quarry Park, Colonial Park, a county park within five miles of the Property offers picnic groves, a playground, tennis courts, nature trails, fishing ponds and boating. The Delaware and Raritan Canal State Park borders Franklin Township on three sides.

Three local shopping centers are located along Easton Avenue within one (1) mile of the Property, while many major discount and department stores are located along Routes 1 and 22 within fifteen (15) miles of the Property. Middlesex Mall, Menlo Park Mall and Woodbridge Center are three (3) regional shopping malls located approximately 4.8 and 10 miles from the Property respectively.

The Franklin Township Department of Parks and Recreation administers an extensive year round program at Phillip's Community Center which includes after-school, winter and summer recreation, special teenage and adult education programs and a Senior Citizen's Club. Other recreational facilities in Franklin Township include the Quail Brook, Spooky Brook and Tora Green Public golf courses; Bunker Hill private golf course and the Nat Turner Swimming Pool which is located in the Hamilton Park area and which offers swimming instructions at all levels.

The Franklin Township Police Department located on DeMott Lane, approximately two miles from the Property, has a force of 55 full-time policemen. There are nine (9) volunteer fire departments located within the Township along with three (3) volunteer rescue squads.

All necessary utilities provided to the Premises will be by connection from Ellison Road to the necessary common connections and/or to the individual units. Public Service Electric and Gas Company supplies gas and electric service. Water to the Condominium for potable consumption and other needs is provided by the Water Division of Franklin Township Public Works Department. Sanitary sewer service is provided by the Franklin Township Sewerage Authority. The sewer lines within the Property will be owned by the Unit Owners as Common Elements, and the operation and maintenance thereof will be the responsibility of the Association. Telephone service is provided by New Jersey Bell Telephone Company. Underground cables will be provided for cable television although individual units will not be pre-wired. Cable television will be available to Owners desiring it by individual contract from Comvideo of Belle Mead, New Jersey. Each individual Unit owner should arrange directly with Comvideo for the wiring of their Units, hook-up and subscription of cable television.

5. MAINTENANCE, OPERATION AND MANAGEMENT OF COMMON ELEMENTS;

CONTROL OF ASSOCIATION

Upon conveyance to him of title to his Unit, each Purchaser of a Unit automatically becomes a member of the Trendmaker Homes North Condominium Association, Inc., which has been created pursuant to Title 15A of the New Jersey Statutes. In addition, the Sponsor has one membership in the Association for each Unit, completed or prospective, which has not been conveyed to an individual purchaser. The Association is charged with the responsibility for the maintenance, management and operation of the Common Elements. This responsibility is discharged through the Board of Directors (hereinafter "Board"), which is empowered by the terms of the By-Laws to employ any person, firm or corporation to assist in the performance of its duties.

The manner in which directorships are filled is set forth in Article IV of the By-Laws of the Association. Until the first annual meeting of the Association, which is to take place within sixty (60) days after the conveyance by Sponsor of thirty (30) or more units to individual purchasers, the Board is to consist of three (3) individuals designated by the Sponsor, none of whom need be a Unit Owner. At the first meeting, the Board will be expanded to consist of five (5) Directors, three of whom will be appointed by Sponsor and two (2) of whom will be elected by Unit Owners other than the Sponsor. Elected Directors will serve for two-year terms, and the appointed Directors will serve until their successors are elected.

When Unit Owners other than Sponsor own ninety (90) Units, Unit Owners other than the Sponsor shall be entitled to elect the entire Board; provided, however, that the Sponsor shall be entitled to appoint one (1) member of the Board

for so long as Sponsor owns and holds at least one Unit for sale in the normal course of business.

6. PROPOSED OPERATING BUDGET

Pursuant to Article VI of its By-Laws, the Association is obligated to prepare an annual budget which reflects the anticipated Common Expenses for the ensuing fiscal year. Common Expenses include, but are not limited to, the estimated costs for the operation, repair and maintenance of the Common Elements, the estimated costs for the operation of the Association, and amounts which are to be placed in separate accounts as reserves for deferred maintenance, replacements and capital improvements of the Common Elements. An estimated annual budget which is based upon full occupancy of the Condominium and prevailing costs for 1985 is included herein as Exhibit 2. A letter from Calton Management Co., Inc., certifying the adequacy of the budget projection, is also attached.

The funds necessary to meet the expenses contemplated by the budget will be acquired by the Association through the assessment of an annual Charge (the "Common Expense Assessment") which is to be paid by each Owner in monthly installments on the first day of each month. The Common Expense Assessment borne by each Owner is based on the Common Expenses contemplated under the annual budget, and the allocation of that amount among the Units as provided in the Master Deed and By-Laws.

If the costs incurred by the Association for any particular year exceed those which are estimated, the Board can impose a special assessment to cover the deficiency. In addition, the Board of Directors is empowered under the terms of Article X of the By-Laws to levy a special assessment to defray the cost of any emergency or other repair, replacement or improvement of the Common Elements. An expenditure for repair, replacement or improvement of the Common Elements is

assessed against the Unit Owners who are benefited by the assessment in the same manner as the Common Expense Assessments.

The regular assessments and special assessments are personal obligations of each Unit Owner under the terms of the Master Deed. Payment of these charges is secured by a continuous lien which is placed on each Unit. If any assessment is not paid by a Unit Owner, the Board of Directors can accelerate the outstanding assessments and institute a lawsuit to foreclose upon the Unit. The Association can also file a lawsuit against a delinquent Unit Owner to compel the payment of any unsatisfied regular or special assessments.

In any period that the Sponsor controls the Board, the Sponsor reserves the right to subsidize the budget. The Sponsor represents that any such subsidy, if undertaken, is intended to fund budget deficiencies beyond the Association's control, and not for the purpose of artificially reducing maintenance charges payable by Unit Owners other than the Sponsor. There is no assurance that there will not be a change in prevailing economic conditions resulting in increased Common Expense Assessments in future years of operation of the Association. Nothing herein is meant to be construed as obligating the Sponsor to subsidize any budget deficiency. Additionally, the Sponsor can implement the subsidy and remove it at any time; purchasers should therefore be aware that removal of any subsidy could result in increased Common Expense Assessments.

7. MANAGEMENT OF THE CONDOMINIUM AND CONTRACTUAL AGREEMENTS

The Sponsor has retained Calton Management Co., Inc. (the "Managing Agent"), as the initial managing agent for the Property. A copy of the proposed management agreement is attached hereto as Exhibit 7. The management agreement is for a one year period and may be terminated by either party with or without cause upon 30 days notice to the other. It is anticipated that for so long as the

Sponsor controls the Board, the Managing Agent will continue to serve in its capacity as such for successive one year periods. The management fee to be paid to the Managing Agent for services rendered is included in the proposed budget attached hereto as Exhibit 2.

Presently, no other contracts, appointments, agreements or other obligations binding upon the Association exist. It is anticipated however, that the Managing Agent will enter into agreements for lawn maintenance and snow clearing for the Common Property, refuse collection, and other similar contracts that would affect the use, maintenance or access of any or all of the Common Property or facilities that will be binding upon the Association under this Plan.

In accordance with the regulations promulgated pursuant to the Planned Real Estate Development Full Disclosure Act (N.J.A.C. 5:26-8.5), the previously discussed Management Agreement will only be for a one (1) year term. Further, any contract or agreement affecting the use, maintenance, management or access of the Common Property and facilities entered into between the Sponsor and itself or a company owned, operated or controlled by it or in which it has a financial interest, prior to Owners being entitled to elect a majority of the Directors of the Board of Directors of the Association, shall not be entered into for a period in excess of one (1) year. Further, such contracts or agreements shall not be renewed for periods in excess of one (1) year and the Association may, at the expiration of any one (1) year period, terminate any further renewals or extensions thereof.

While the Sponsor maintains a majority of representation on the Board, the Sponsor will post a fidelity bond at its expense to insure that the Association is properly managed. The bond shall be, in the first year, equal to the

amount of the annual budget and, in succeeding years, equal to the amount of the budget and any accumulated reserves.

8. RESTRICTIONS ON OCCUPANCY, ALIENATION AND RIGHT OF ALTERATION

Under Paragraph 11 of the Master Deed, certain restrictions are imposed upon the occupancy, right to transfer and right to alter the Units. These restrictions place limits on such things as keeping pets, parking vehicles, dumping waste, affixing loudspeakers, antennae, or other items to the exterior of the building, and making structural alterations to the Unit. In addition, limitations are placed upon mortgaging or leasing of Units. Initial purchasers from the Sponsor must live in the unit so purchased and must be first-time home buyers. The examples set forth herein are generally stated, and each prospective purchaser should refer to Paragraph 11 of the Master Deed and familiarize himself thoroughly with the restrictions before purchasing a Unit.

9. INSTRUMENTS TO BE DELIVERED TO THE PURCHASER

A copy of the Subscription and Purchase Agreement attached hereto and made a part hereof as Exhibit 3 will be executed by the Sponsor and each Unit Owner for the purchase of a Unit. Prior to the Sponsor's acceptance of a purchaser's executed Subscription and Purchase Agreement, purchaser will have to verify that he meets the moderate income criteria. A Unit Deed in the form attached hereto and made a part hereof as Exhibit 4 shall be delivered to each Unit Owner at closing to evidence his interest in his Unit. In addition to the Subscription and Purchase Agreement, the Unit Owner will be required to sign the Home Owners Warranty Agreement and the Unit Deed. No membership certificate in the Association will be delivered.

10. MONIES PAID PRIOR TO CLOSING

All deposit monies paid by a prospective purchaser directly or through his agents or employees, will be deposited in a separate trust account maintained by Robert E. Linkin, Esq., counsel for Sponsor, at Midlantic National Bank/Merchants, 50 Route 9, Englishtown, New Jersey, 07726. At the option of the Sponsor, the account may bear interest, with interest to accrue to the benefit of the Sponsor. If the Sponsor posts a bond or other security acceptable to the Department of Community Affairs to insure return of all deposit monies to a prospective purchaser upon the termination of his Subscription and Purchase Agreement, the deposit monies may be released from escrow and utilized by Sponsor as he sees fit. In no event will deposit monies be released from escrow prior to the expiration of the seven (7) day rescission period provided by the Subscription and Purchase Agreement.

11. EASEMENTS, ENCUMBRANCES AND RESTRICTIONS

A. The following easements shall apply and run to the benefit of each Unit Owner.

- (1) A non-exclusive easement, in, upon, over, under, across and through the Common Elements to keep, maintain, use, operate, repair and replace his Unit in its original position and in every subsequent position to which it changes by reason of the gradual forces of nature and the elements; and
- (2) An exclusive easement for the existence and continuance of any encroachment by his Unit upon any adjoining Unit or upon any Common Elements now existing or which may come into existence hereafter as a result of construction, reconstruction, repair, shifting, settle-

ment or movement of any portion of a Building or a Unit, or as a result of condemnation or eminent domain proceedings, so that any such encroachment may remain undisturbed so long as the Building stands; and

- (3) A non-exclusive easement for ingress and egress to his Unit in, upon, under, over, across and through the General Common Elements; and
- (4) An exclusive easement to use and enjoy the surfaces of the main walls (including any windows, doors or chimneys, balcony, stoops, or patio therein), ceilings and floors contained within his Unit; and
- (5) An easement in common with the Owners of all other Units to use all pipes, wires, ducts, cables, conduits, public utility lines, television master antenna and other General Common Elements located in any of the other Units and serving his Unit; and
- (6) A perpetual and non-exclusive easement in, over and through the General Common Elements of the Condominium and to use the walkways, parking courts and other common facilities within the Condominium subject to the right of the Board to:
 - (a) promulgate rules and regulations for the use and enjoyment thereof; and
 - (b) suspend the enjoyment and voting rights of any Unit Owner for any period during which any assessment for Common Expenses remains unpaid, or any period during which any infraction of any published rules and regulations continues, it being understood that any suspension for either nonpayment of any

assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Unit Owner's obligation to pay the assessment.

B. Sponsor, its successors and assigns, shall have the following easements with respect to the Property:

- (1) A blanket and non-exclusive easement in, upon, through, under and across the Common Elements for the purpose of construction, installation, maintenance and repair of any improvements to the Units or the Common Elements, for ingress and egress for the use of all parking areas, and for the utilization of existing and future model Units for sales promotion and exhibition, until the expiration of one (1) year from the date the last Unit is sold and conveyed in the normal course of business, but in no event more than ten (10) years from the date of recording the Master Deed. In addition, Sponsor reserves the irrevocable right to enter into, upon, over or under any Unit for such purpose as may be reasonably necessary for the Sponsor or its agents to service such Unit or any part of a building provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate whether the Unit Owner is present at the time or not; and
- (2) A perpetual, blanket and non-exclusive easement in, upon, over, under, across and through the Common Elements for surface water runoff and drainage caused by natural forces

and elements, grading, and/or the improvements located upon the Property. No individual Unit Owner shall directly or indirectly interfere with or alter the drainage and runoff patterns and systems within the Condominium.

C. The Property shall also be subject to the following:

- (1) The Association shall have a perpetual exclusive easement for the maintenance of any Common Elements, which presently or may hereafter encroach upon a Unit; and
- (2) The Association, through the Board or any manager, or managing agent, or their respective agents or employees shall have the perpetual and non-exclusive right of access to each Unit (a) to inspect same; (b) to remedy any violations of the provisions of the Master Deed, the By-Laws or in any rules and regulations of the Association; and (c) to perform any operations required in connection with the maintenance, repairs or replacements of or to the Common Elements, or any equipment, facilities or fixtures affecting or serving other Unit(s) or the Common Elements; provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not; and
- (3) Any Eligible Mortgage Holder, its officers, agents and employees, shall have a blanket, perpetual and non-exclusive easement to enter the Condominium or any part thereof to inspect the condition and repair of the Common Elements or

any Units so encumbered by a first mortgage owned by it. This right shall be exercised only during reasonable daylight hours, and then whenever practicable, only after advance notice to and with the permission of the Board and the Unit Owner; and

- (4) A blanket, perpetual and non-exclusive easement in, upon, over, across and through the Common Elements for the purpose of the installation, maintenance, repair, service and replacement of all sewer, water, power and telephone pipes, lines, mains, conduits, waters, poles, transformers, master television antennas and any and all other equipment or machinery necessary or incidental to the proper functioning of any utility system serving the Property, which easement shall be for the benefit of any governmental agency, or utility company or other entity which requires same for the purpose of furnishing one or more of the foregoing services; and
- (5) A blanket, perpetual and non-exclusive easement of unobstructed ingress and egress in, upon, over, across and through the Common Elements to the Township of Franklin, the Association, their respective officers, agents and employees (but not the public in general) and all police, fire and ambulance personnel in the proper performance of their respective duties, (including but not limited to emergency or other necessary repairs to a Unit which the Unit Owner has failed to perform), and for repair and maintenance of the Common Elements.

Except in the event of emergencies, the rights accompanying the easements provided for in this subparagraph shall be exercised only during reasonable daylight hours and then, whenever practicable, only after advance notice to and with permission of the Unit Owner(s) directly affected thereby.

D. The Property is also subject to a mortgage made by the Sponsor to Bonner Properties, Inc., the Sponsor's predecessor in title, dated June 14, 1985 and recorded in the Somerset County Clerk's Office on June 18, 1985 in Mortgage Book 1423 page 436. This is a purchase money mortgage securing \$3,318,750.00 utilized by the Sponsor to acquire the Property and other land it is developing in the Quailbrook development. Additionally, the Property is subject to a Mortgage and Security Agreement made by the Sponsor to Midlantic National Bank dated November 15, 1985, and recorded in the Somerset County Clerk's Office on November 18, 1985 in Mortgage Book 1460 at page 651. This mortgage secures advances made to the Sponsor from time to time by Midlantic National Bank under a \$50,000,000 revolving Credit Agreement. At or prior to closing, the Sponsor will cause each Unit conveyed to an individual purchaser to be released from the lien of both of the foregoing mortgages.

12. NATURAL AND ARTIFICIAL FORCES AFFECTING USE OF THE PROPERTY.

The Condominium is not, to the best of Sponsor's knowledge, subject to any regular or periodic natural or artificial forces that have a detrimental effect on the use or enjoyment of the Property. Flood Hazard Certification, Inc. has certified that the Property is not located in a Flood Hazard Area as identified by the Federal Insurance Administration.

13. REAL ESTATE TAXES AND MUNICIPAL ASSESSMENTS.

The equalized ratios of assessed valuation to true valuation and the tax rates imposed by the Township of Franklin for 1986 and the two years preceding were:

<u>Year</u>	<u>Tax Ratio</u>	<u>Tax Rate Per Hundred Dollars Of Assessed Value</u>
1984	86.57%	\$ 3.132
1985	81.32%	\$ 3.059
1986	78.0 %	\$ 3.059

Subsequent to the recordation of the Master Deed, each Unit is subject to being separately assessed for local real estate property taxes. The liability of each Unit Owner for the tax assessed against his Unit will be independent of the liability of the other Unit Owners.

Until such time as the municipality assesses each Unit separately, the real estate taxes assessed against one property will be payable by Unit Owners in direct proportion to their respective percentage interests in the Common Elements appurtenant to the Units. The individual real estate tax liability for each Unit as aforesaid will be calculated by the Association and bills for the respective tax liabilities shall be sent to the Unit Owners by the Association.

The Sponsor has estimated the real taxes to be assessed against individual Units as \$1,407.75 per year, or \$117.31 per month. This figure was computed by multiplying the average purchase price of \$59,000.00 by the 1986 ratio of assessed value to true value utilized by the Township of Franklin (78%), and then applying to that sum the 1986 tax rate of the Township (\$3.059 per \$100 of assessed value). THESE ARE ONLY ESTIMATES AND ARE NOT GUARANTEED BY THE SPONSOR.

ACTUAL TAXES MAY BE HIGHER OR LOWER. Each prospective purchaser should make independent inquiry with the tax assessor of the Township of Franklin as to what the potential real estate taxes for a particular Unit might be once separate assessment takes place.

The Sponsor is not aware of any actual or proposed taxes or special assessments that will affect the Condominium.

14. CLOSING COSTS.

Good and marketable title to each Unit and its appurtenant interest in the Common Elements, insurable at regular rates, will be conveyed to each Purchaser by the Sponsor by Bargain and Sale Deed with Covenant Against Grantor's Acts (a sample copy of which appears as Exhibit 5 to this Public Offering Statement) free and clear of all liens and encumbrances other than:

(1) Zoning regulations and ordinances, if any, and any amendments thereto now or hereafter adopted;

(2) Easements, covenants, restrictions, reservations, agreements and other matters contained, incorporated by reference, or referred to in this Public Offering Statement, the Master Deed, or any Exhibits thereto;

(3) Any state of facts which would be shown by an accurate survey or title search; and

(4) Those exceptions set forth in the specimen Unit Owner's title insurance policy set forth at Exhibit 5 to this Public Offering Statement.

The estimated closing costs to be borne by each purchaser of a Unit in addition to the purchase price and items normally adjusted at the time of closing will include, but not necessarily be limited to:

1. Mortgage closing costs, if applicable, which may include but not be limited to the following:

(a) The Mortgagee's application fee, which is a nonrefundable fee that must usually be paid at the time the mortgage application is submitted;

(b) The mortgagee's counsel review fee;

(c) The mortgage recording fee;

(d) Pro-rata interest on such mortgage loan from the date of closing of title to the Unit to the date of the first regular monthly principal and interest payment;

(e) A deposit to establish an escrow account for the payment of annual real estate taxes which have been or will be assessed against his Unit;

(f) The cost of private mortgage insurance, if any, due upon closing of title;

(g) Such other processing fees, origination fees, administrative fees, etc. as may be required by a mortgagee, including, but not limited to, appraisal fees, termite certification, etc; and

(h) The cost of a mortgagee's policy of title insurance, including all premiums, search fees, etc. in connection with same.

2. The fees and expenses of purchaser's own attorney, if any.

3. A nonrefundable, nontransferable capital contribution equivalent to twice the monthly Common Expense installment attributable to the Unit in order to provide the Association with initial working capital (which shall not be deemed a prepayment of the monthly installments of the Common Expense Assessment attributable to the Unit);

4. A deposit for default in the payment of monthly Common Expenses equivalent to twice the monthly Common Expense installment attributable to the Unit to be held in escrow by the Association and which, to the extent it is

not applied to any default in such monthly Common Expense payments, will be re-funded to the Unit Owner if he sells his unit. Any interest earned on the escrow fund will accrue to the benefit of the Association.

5. The fee for preparation for a survey certificate, if requested by the purchaser;

6. The cost of recording the deed to the Unit; and

7. The costs of title examination and title insurance premiums for an owner's policy of title insurance.

None of the foregoing costs will be paid by Sponsor. Sponsor will pay the realty transfer tax and the fees of its own attorney.

15. WARRANTY INFORMATION

The Sponsor warrants the construction of Units as follows:

(1) In accordance with the provisions of the New Jersey New Home Warranty and Builders Registration Act, N.J.S.A. 46:3B-1 et seq., the Sponsor will enroll each Unit at or prior to closing in an approved warranty security plan and will pay all requisite fees/premiums for such enrollment and coverage; provided, however, any deductible for such warranty coverage shall be the obligation of the purchaser.

(2) In addition to the foregoing, the Sponsor warrants that any outbuildings, driveways, walkways, patios, retaining walls and fences constructed in connection with a Dwelling Unit shall be free from substantial defects due to material and workmanship for a period of one year from the date of closing or the date of possession, whichever first occurs.

(3) The Sponsor also warrants that all drainage is proper and adequate.

(4) The Sponsor also warrants that all Units offered hereby are fit for their intended use.

(5) The Sponsor also warrants that the common facilities are fit for their intended use and warrants the construction of same for a period of two (2) years from the date of construction of such facilities. The Sponsor shall repair or correct any defect in construction, material or workmanship in the common facilities within a reasonable time after notification of the defect. While the Sponsor maintains control of the Board, it will take no action which adversely affects the Unit Owners' rights under N.J.A.C. 5:25-5.5. Claims relative to defects of Common Elements shall be processed in accordance with N.J.A.C. 5:25-5.5.

Pursuant to the requirements of Section 460.16 of the Trade Regulation Rules promulgated by the Federal Trade Commission with respect to Labeling and Advertising of Home Insulation (16 C.F.R. Part 460) the Sponsor hereby discloses and purchaser hereby acknowledges receipt of the following information that has been furnished to the Sponsor by the manufacturer with respect to the fiberglass batt insulation that will be installed.

<u>LOCATION</u>	<u>THICKNESS</u>	<u>R-VALUE</u>
Uppermost Ceiling	9 "	R-30
Exterior walls	3 1/2 "	R-13

16. INSURANCE.

Under Article V, Section 2 of the By-Laws, the Board is obligated to procure and maintain certain policies of insurance including:

A. Insurance against property damage to any improvements including the Condominium Units, on the property in an amount equal to the full replacement value of the Units and improvements.

B. Insurance against liability for any accidents which occur on the Common Elements in an amount set by the Board.

C. Insurance against liability of Directors and officers of the Association for errors and omissions in connection with their activities as such.

The insurance that must be maintained by the Board is set forth in detail in Article V of the By-Laws.

A letter from Olympic Insurance Associates dated November 13, 1985 relative to the adequacy of the insurance coverage is included as part of Exhibit 2 hereof.

The Sponsor recommends that each Unit Owner procure and maintain through his own insurance agent adequate insurance against property damage to the contents of his Unit, and insurance against liability for occurrences within his Unit. Each such policy must however, contain a waiver of subrogation of all claims against the Association or other Unit Owners.

17. OTHER DEVELOPMENTS.

The Sponsor is presently constructing or has recently completed construction on the following developments:

Brasch Farms Middletown, N.J.	167 Single Family Detached Colonial and Contemporary Dwellings
Hickory Knolls Franklin Twp., NJ.	134 Single Family Detached Colonial Dwellings (adjoining Phase IB to the east)
Grover's Mill Estates West Windsor, NJ.	102 Single Family Detached Colonial Dwellings
Brookwood at Eatontown Eatontown, N.J.	249 Attached Townhomes and Single Family Detached Dwellings.
Patio Homes @ Quailbrook Franklin Twp., N.J.	111 Single Family Attached Townhouses.

Cluster Homes @ Quailbrook 176 Single Family Attached Townhouses.
Franklin Twp., N.J.

Carriage Homes @ Quail- 193 Single Family Attached Townhouses.
Brook, Franklin Twp., NJ

Fairway Homes @ Quail- 84 Single Family Detached Colonial Dwellings.
brook, Franklin Twp., NJ

Trendmaker Homes at 136 Condominium Apartments.
Quailbrook,
Franklin Twp., N.J.

Manalapan Greens 172 Single Family Detached Colonial Dwellings
Manalapan Twp., N.J.

Bayberry Woods 27 Single Family Detached Colonial and
Marmora, N.J. Ranch Dwellings

Main Street 376 Single Family Attached Townhouses
Sayreville, N.J.

Pinetree Knolls 61 Patio Homes
Smithville, N.J.

Townhomes at Quailbrook 110 Single Family Attached Townhouses.
Franklin Twp., N.J.

Villas at Quailbrook 104 Single Family Attached Townhouses.
Franklin Twp., N.J.

Gardenhomes @ Quailbrook 120 Single Family Attached Townhouses.
Franklin Twp., N.J.

Dutch Neck Estates 92 Single Family Attached Colonial Dwellings.
West Windsor, N.J.

Other developments constructed by the Sponsor during the last five (5) years include Oak Knolls, Middletown, N.J., Twin Oaks, Toms River, N.J., Country Lane, Mt. Laurel, N.J., Woodmere at Dover, Toms River, N.J., Settler's Landing, Barnegat, N.J. and Whalers' Cove, Smithville, N.J.

18. RIGHTS AND OBLIGATIONS OF SPONSOR.

The Sponsor has obligated itself to perform in accordance with the terms of this Public Offering Statement and the provisions of Subscription and Purchase Agreements with individual purchasers. The Sponsor is not liable for other or further undertakings except as therein specifically set forth.

As previously discussed, the Sponsor has reserved the right to utilize one or more Units for use as models or a sales center until the Sponsor has sold the last Unit in the ordinary course of business. The Sponsor's use of any Units for these purposes will not unreasonably interfere with Owners' use and enjoyment of their Units or common facilities.

The Sponsor reserves the right to rent any unsold Units at such a rental and under such terms and conditions as it shall deem appropriate.

No bond or other guarantee will be provided to secure the Sponsor's obligations under this Plan.

19. UNITS ACQUIRED BY THE ASSOCIATION.

All Units acquired by the Association or its designee shall be held by it or its designee, on behalf of all Members. No Units so acquired and held shall carry voting rights during the period of Association ownership.

20. FINANCING AND TERMS OF PURCHASE.

Each Unit subject to this offering will be sold at a price designated by the Sponsor upon the terms and conditions set forth in the Subscription and Purchase Agreement appended hereto as Exhibit 3. Sponsor reserves the right to change the prices at which any unsold Dwelling Units are offered for sale at any time. The Sponsor also reserves the right to change the terms under which such sale is made by appropriate amendment to this Public Offering Statement.

An individual desiring to purchase a Unit will be required to execute an Subscription and Purchase Agreement for the applicable Unit and tender a check for an initial down payment in the amount of \$1,000.00. Such a prospective purchaser must also submit application which will enable the Sponsor to determine whether the purchaser represents a moderate income household. The Subscription and Purchase Agreement provides that a purchaser shall have the right to cancel the Agreement by sending or delivering written notice of cancellation to the Sponsor by midnight of the seventh calendar day after the day on which the Agreement was executed. Such cancellation shall be without penalty and the initial down payment made by the purchaser shall be promptly refunded in its entirety without interest.

If the Subscription and Purchase Agreement is not cancelled by the purchaser, then upon expiration of the seven day rescission period, the purchaser will be required to tender an additional down payment in the amount of the difference between the initial down payment and ten (10%) percent of the total purchase price of the Unit, plus the cost of all extras. If the purchaser defaults under the terms of the Subscription and Purchase Agreement, the Sponsor may cancel the Agreement and retain as liquidated damages all payments made thereunder up to ten (10%) percent of the total price of the Unit, plus the cost of all extras installed at the request of the purchaser. Any deposit in excess of ten (10%) percent plus the costs of extras installed (exclusive of interest, in the event the deposit is held in an interest bearing Escrow account) will be refunded to the purchaser without interest within a reasonable time after cancellation. If a Subscription and Purchase Agreement is cancelled by the Sponsor upon the default of a purchaser, the Sponsor will have the right to sell the Unit

to others, and the defaulting purchaser and the Sponsor will be relieved of all further liabilities and obligations in respect to the Agreement.

In the event the Sponsor defaults under and pursuant to the terms of the Subscription and Purchase Agreement, the purchaser will be entitled to a refund of all deposit monies paid without interest, together with the costs of title examination and survey actually incurred by the purchaser.

If the purchaser wishes to finance a portion of the purchase price, he may request that the Seller assist in obtaining such financing for him. Notwithstanding anything herein or in the Subscription and Purchase Agreement to the contrary, the Seller is not obligated to attempt to secure financing for the Purchaser, unless it is actually requested that it do so. Additionally, the Sponsor does not guarantee that it can secure financing for the Purchaser, nor should anything herein or in the Subscription and Purchase Agreement be considered as obligating it to provide the financing itself in the event that the financing cannot be obtained from other sources. The Purchaser is directed to Paragraph 1 of the Subscription and Purchase Agreement for a complete discussion of the conditions pursuant to which the Seller will attempt to secure financing for him.

21. GENERAL INFORMATION

This Public Offering Statement does not knowingly omit any material fact or contain any untrue statement of a material fact, and does not contain a full summary of all the provisions of the various documents referred to herein. Statements made as to the provisions of such documents are qualified in all respects by the contents of such documents. No person has been authorized to make any representations which is not expressly contained herein. Any information, data or representation not contained in this Public Offering Statement, the

Application for Registration as filed with the Division of Housing and Development of the New Jersey Department of Community Affairs, or in the documents referred to in this Public Offering Statement may not be relied upon.

Except as herein discussed, there are no lawsuits or other proceedings now pending, or any judgments outstanding against the Sponsor or any person or persons which might become a lien against the Property or which materially affect this Plan except as herein expressly set forth.

The Sponsor reserves the right to amend this Public Offering Statement and related documents from time to time, and any such amendment which does not materially and adversely affect any Purchaser or his Unit and which is required by a lender having a mortgage on the Property, by any title company approved by Sponsor to insure title to the Property or by any governmental agency having jurisdiction over the Property, shall be binding upon every Purchaser who has theretofore executed an Subscription and Purchase Agreement or accepted title to a Unit.

The Sponsor hereby represents to the best of its knowledge, information and belief, that the statements and representations contained herein are true and accurate.

CALTON HOMES, INC., Sponsor

By: _____
Anthony J. Caldarone, President

EXHIBIT 1

Master Deed

MASTER DEED

FOR

TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES, A CONDOMINIUM

DATED:

RECORD AND RETURN TO:

ROBERT E. LINKIN, ESQ.
Calton Homes, Inc.
100 Craig Road
Freehold, New Jersey 07728

Prepared by: Robert E. Linkin, Esq.

MASTER DEED FOR
TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES,
A CONDOMINIUM

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MASTER DEED

FOR

TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES, A CONDOMINIUM

THIS MASTER DEED, made this day of , 198 , by
CALTON HOMES, INC., a New Jersey corporation having an office at 100 Craig Road,
Freehold, New Jersey (hereinafter referred to as "Sponsor").

WHEREAS, Sponsor is the owner of the fee simple title to those lands and
~~premises in the Township of Franklin, County of Somerset, State of New Jersey,~~
more particularly described in Exhibit "A" attached hereto and made a part
hereof, which lands and premises are hereinafter referred to as the "Property";
and

WHEREAS, the Property is projected, but not required to ultimately
include fifteen (15) residential Buildings in which are located a total of one
hundred twenty (120) garden apartment dwelling units, hereinafter referred to
collectively as "Units", together with parking areas, walkways and other improve-
ments all as are more particularly shown on a certain Site Plan dated May 25,
1984 prepared by Van Cleef Engineering Associates, Consulting Civil & Environ-
mental Engineers & Land Surveyors, and attached hereto and made a part hereof as
Exhibit "B", and on certain architectural drawings prepared by Murphy Garrison
Association, a Professional Corporation of Architects and Planners, and attached
hereto and made a part hereof as Exhibit "C".

WHEREAS, it is the intention of the Sponsor to establish the form of
ownership of the Property as a condominium pursuant to the provisions of the New
Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq., under the name of "Trendmaker
Homes North at Quailbrook by Calton Homes, A Condominium", (hereinafter referred
to as the "Condominium"); and

WHEREAS, the Sponsor has established or is about to establish Trendmaker Homes North Condominium Association, Inc., a New Jersey non-profit corporation, for the administration, operation and management of the Condominium and other improvements intended for the common use and enjoyment of the residents of the Condominium.

THEREFORE, WITNESSETH:

1. ESTABLISHMENT OF CONDOMINIUM. The Sponsor does hereby submit, declare and establish in accordance with N.J.S.A. 46:8B-1 et seq. the condominium form of ownership for that parcel of land described in Exhibit "A" aforesaid and as more particularly shown on Exhibits "B", aforesaid.

2. DEFINITIONS. For the purpose hereof, the following terms shall have the following meanings unless the context in which same is utilized clearly indicates otherwise:

- (a) "Association" shall mean Trendmaker Homes North Condominium Association, Inc., a New Jersey non-profit corporation, formed to administer, manage and operate the common affairs and Common Elements of the Unit Owners and the Condominium, as provided in this Master Deed and the By-Laws.
- (b) "Board" shall mean the Board of Trustees of the Association and any reference herein or in the Certificate of Incorporation, By-Laws or Rules and Regulations to any power, duty, right of approval or any other right of the Association shall be deemed to refer to the Board and not the membership of the Association, unless the context expressly indicates to the contrary.

appurtenances thereto belonging or appertaining; and (iv) the entire entity created by the execution and recording of this Master Deed.

(i) "Condominium Act" shall mean the provisions of N.J.S.A. 46:8B-1 et seq., and all applicable amendments and supplements thereto.

(j) "General Common Elements" shall have the same meaning as "common elements" pursuant to N.J.S.A. 46:8B-3(d), except as same may be modified by the provisions of paragraph 5 hereof.

(k) "Eligible Mortgage Holder" shall be defined as set forth in Paragraph 25 of this Master Deed.

(l) "Lease" shall mean any agreement for the leasing or rental of any Unit of the Condominium.

(m) "Limited Common Elements" shall have the same meaning as "limited common elements" pursuant to N.J.S.A. 46:8B-3(j), except as same may be modified by the provisions of Paragraph 5 hereof.

(n) "Master Deed" shall mean this instrument together with all future amendments or supplements hereto.

(o) "Owner" or "Unit Owner" shall mean and refer to those persons or entities in whom record fee simple title to any Unit is vested as shown in the records of the Somerset County Clerk, including the Sponsor unless the context expressly indicates otherwise, but notwithstanding any applicable theory of mortgage, shall not mean or refer to any mortgagee unless and until such mortgagee has acquired title to any such Unit pursuant to foreclosure proceedings or any proceeding in lieu of foreclosure, nor shall the term "Unit Owner" refer to any lessee or tenant of a "Unit Owner".

(p) "Permitted Mortgage" shall mean and refer to any mortgage lien encumbering a Unit held by a bank, mortgage banker, trust company, insurance company, savings and loan association, pension fund, governmental agency, or other Eligible Mortgage Holder or which is a purchase money mortgage held by the Sponsor or by the Seller of a Unit. It shall also include any other mortgage lien which is expressly subordinate to any and all existing or future common expense liens imposed against the Unit by the Association.

(q) "Property" shall mean the Buildings, the land and premises described in Exhibits "A" and "B" that now or hereafter become subjected to this Master Deed, and all improvements now or hereafter constructed in, upon, over or through such land and premises.

(r) "Rules and Regulations" shall mean those rules and regulations of the Association that may be promulgated by same together with all future amendments or supplements thereto.

(s) "Sponsor" shall mean and refer to Calton Homes, Inc., a New Jersey Corporation, its successors and assigns, and includes any successor to the Sponsor contemplated by paragraph 28 of this Master Deed.

(t) "Unit" shall mean a part of the Condominium designated and intended for independent ownership and use as a residential dwelling regardless of type and all as more specifically described in paragraph 4 hereof and shall not be deemed to include any part of the General Common Elements or Limited Common Elements situated within or appurtenant to a Unit.

Unless the context clearly indicates otherwise, all definitions set forth in N.J.S.A. 46:8B-3 are incorporated herein by reference and the definitions set forth above shall be used in conjunction therewith.

3. GENERAL DESCRIPTION OF CONDOMINIUM. Upon the recordation of this Master Deed, the Condominium will include the lands described in Exhibit "A", attached hereto and made a part hereof which is graphically depicted on the Site Plan appearing as Exhibit "B" to Master Deed, consisting of 11.6106 acres. The Condominium will contain fifteen (15) buildings, with each building containing eight (8) two bedroom Units. The Condominium will include parking areas and other site improvements all as shown on the Site Plan appended to this Master Deed as Exhibit "B", which depicts the entire Condominium and shall also include all rights, privileges, roads, waters and appurtenances thereto belonging to appertaining.

4. DESCRIPTION OF UNITS. The dimensions, area and location of the Buildings and all of the aforesaid Units within the Condominium are as shown graphically on Exhibits "B" and "C". Each Unit is intended to contain all space within the area bounded by the unexposed surface of the perimeter walls of each Unit and of the lowest subfloor and the uppermost ceiling of each Unit as follows:

BOTTOM: The bottom is an imaginary horizontal plane through the lowest point of the unexposed surface of each portion of subfloor, if any, within the Unit, and extending in every direction to the point where it closes with a side of such Unit.

TOP: The top of each type of Unit is an imaginary plane along and coincident with the unfinished and unexposed surface of the gypsum board or other material which forms the uppermost ceiling of the Unit and extending in every direction to the point where it closes with every side of such Unit.

SIDES: The sides of each Unit are imaginary vertical planes along and coincident with the innermost surface of the studding of the perimeter walls. Where no wall exists, the side is an imaginary vertical plane along and coincident with the exterior surface of the windows or doors located on the perimeter of such Unit. The sides of each such Unit are bounded by the bottom and top of the Unit.

Each Unit, regardless of type, also includes all built in appliances, fixtures, doors, windows, interior walls and partitions, gypsum board and/or other facing material on the walls and ceilings thereof, the inner decorated and/or finished surface of the floors (including all flooring tile, ceramic tile, finished flooring, carpeting and padding) and all other improvements located within such Unit described, which are exclusively appurtenant to such Units, although all or part thereof may not be located within the Unit, and shall include, but not be limited to the following individual appurtenances to the extent that same serve each individual Unit only and not any other Unit or any portion of the Common Elements.

- (a) So much of the common heating, plumbing and ventilating system as extends from the interior surface of the walls, floors or ceilings into the Unit; and

- (b) All electrical wires which extend from the interior surface of walls, floors or ceilings into the Units and fixtures, switches, outlets and circuit breakers; and
- (c) All utility meters not owned by the public utility agency supplying the service; and
- (d) All equipment, appliances, machinery, mechanical or other systems which serve the Unit exclusively whether or not same are located within or without the Unit.

Interior partitions or nonbearing walls within the confines of each Unit may, from time to time, be removed or replaced subject to the prior written approval of the Board. In the event a Unit Owner does remove or replace any or all such interior partitions or walls, no amendment of the Master Deed will be necessary or required. No Unit may be partitioned or subdivided without the prior written approval of any Eligible Mortgage Holder for such Unit and the Board. None of the foregoing approvals shall apply to Sponsor prior to the conveyance of any Unit(s) affected to another Unit Owner.

Sponsor shall, upon the recording of this Master Deed and any Amendment thereto, be the Owner of every Unit within the Condominium, including its appurtenance percentage interest in the Common Elements and shall have the right to sell and convey, lease, or otherwise dispose of each such Unit as it may deem appropriate in its sole discretion.

5. DESCRIPTION OF GENERAL AND LIMITED COMMON ELEMENTS.

(a) General Common Elements

All appurtenances and facilities and other items which are not part of the Units hereinbefore described in paragraph 4 or part of the Limited Common Elements hereinafter described in subparagraph 5(b) shall comprise

the General Common Elements as graphically shown on Exhibits "B" and "C" aforesaid. The General Common Elements shall also include by way of description but not by way of limitation:

- (i) All land shown on Exhibit "B" aforesaid whether improved or unimproved that is now or hereafter subjected to this Master Deed; and
- (ii) All curbs and walkways, subject to the easements and provisions set forth in paragraph 9 hereof; and
- (iii) The parking spaces within each Phase as shown on Exhibit "B"; Association shall be responsible for the care and maintenance of said parking spaces including snow clearing; and
- (iv) Tennis Courts, tot lots, lawn areas, shrubbery, conduits, utility lines, underground sprinkler system, if any and waterways, subject to the easements and provisions set forth in paragraph 9 hereof; and
- (v) Public connections and meters for gas, electricity, telephone and water not owned by the public utility or other agencies providing such services; and
- (vi) The roof, the foundations, footings, columns, girders, beams, supports, exterior or interior bearing or main walls and floors between Units; and
- (vii) Exterior lighting and other facilities necessary to the upkeep and safety of the Building and Grounds; and

- (viii) Any easement or other right which may now or hereafter be granted for the benefit of the Unit Owner(s) or others for access to or use of the General or Limited Common Elements not included within the Condominium or for any other purpose; and
- (ix) All tangible personal property required for the operation, maintenance and administration of the Condominium which may be owned by the Association; and
- (x) All other facilities or elements of any improvement within any Building or upon the Property necessary or convenient to the existence, management, operation, maintenance or safety of the Condominium or normally in common use.

(b) Limited Common Elements

The Limited Common Elements shall be as graphically shown on Exhibits "B" and "C" aforesaid and shall include by way of description and not by way of limitation, any terrace or patio, porch, steps, stairway or stoop to which there is direct access from the interior of an appurtenant Unit(s) and shall be for the exclusive use of such Unit(s) to which it is physically adjacent. Each Unit Owner's right to use any Limited Common Element(s) appurtenant to his Unit may not be transferred apart from the conveyance of title to the Unit.

The Owners of Unit(s) to which a Limited Common Element(s) are attached or connected shall make repairs thereto caused by their own negligence, misuse or neglect. Any other repairs or maintenance, including snow clearing by or with respect to the Limited Common Elements shall be the responsibility of the Association.

(c) Reserved Common Elements

The Board shall have the power in its discretion:

(i) to designate from time to time certain Common Elements as "Reserved Common Elements"; (ii) grant reserved rights therein to the Association and to any or less than all of the Unit Owners; and (iii) establish a reasonable charge to such Unit Owners for the use and maintenance thereof. Such designation by the Board shall not be construed as a sale or disposition of the Common Elements.

6. ESTATE ACQUIRED; INTEREST IN COMMON EXPENSES; INTEREST IN COMMON SURPLUS; VOTING; COMMON EXPENSES.

The Owner of each Unit shall have such an estate therein as may be acquired by grant, by purchase or by operation of law, including an estate in fee simple; and shall acquire as an appurtenance thereto an undivided percentage interest in the Common Elements of the Condominium, which shall not be divisible from the Unit to which it appertains, as set forth in Exhibit "F" attached hereto and made a part hereof, said percentage has been adjusted to permit same to be expressed as a finite number and to avoid an interminable series of digits. The percentage shall remain fixed.

The aforesaid percentage interest shall be used to (i) allocate the division of proceeds, if any, resulting from casualty loss, any eminent domain proceedings, any common surplus of the Association; or from any other disposition of the Condominium property; and (ii) to apportion the assessments for the Common Expenses of each Unit within the Condominium.

Each Unit, including unbuilt Units which have not been conveyed to individual purchasers, shall be entitled to one (1) vote in the Trendmaker Homes North Condominium Association, Inc. If a Unit is owned by more than one person, the one vote to which said Unit is entitled shall be divided by the number of co-owners of said Unit.

7. COVENANT FOR MAINTENANCE AND CAPITAL IMPROVEMENT ASSESSMENTS.

It shall be an affirmative and perpetual obligation of the Board to fix Common Expense assessments in an amount at least sufficient to maintain the exterior of the Buildings and to maintain and operate the Common Elements as contemplated by the Master Deed or By-Laws and as required by the Condominium Act. The amount of monies for Common Expenses of the Association deemed necessary by the Board and the manner of expenditure thereof shall be a matter for the sole discretion of the Board.

Annual Common Expense assessments shall be made for an annual period to be determined by the Board, and shall be payable in monthly installments due on the first day of each month. The Board shall cause to be prepared annually at least thirty (30) days in advance of the due date of the first Common Expense installment for the period, a list of the Units and the annual Common Expense assessment applicable thereto, according to the names of the Unit Owners, which list shall be kept in the office of the Association and shall be open to

inspection, upon request, by any Unit Owner. Written notice of the annual Common Expense assessments shall be sent by mail or delivered to every Unit Owner, as more particularly described in Article XIV of the By-Laws.

If an annual Common Expense assessment is not made as required, an assessment shall be presumed to have been made in the amount of 110% of the last prior year's assessment, and any installments of such annual assessments shall be due upon each installment payment date until a new annual Common Expense assessment is made.

In the event the annual Common Expense assessment proves to be insufficient, the budget and assessment may be amended at any time by the Board, provided that nothing herein shall serve to prohibit or prevent the Board from imposing a lump sum assessment in the case of any immediate need or emergency.

In addition to the annual Common Expense assessments hereinbefore authorized, the Board may levy, in any assessment year, a special Common Expense assessment, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement or a described capital improvement upon or to the Common Elements, including the necessary furniture, fixtures, equipment and other personal property related thereto, or for any other lawful purpose, provided that any such special Common Expense assessment shall be authorized by the vote in person or by proxy of two-thirds (2/3) of all the aggregate votes held by all of the Members in good standing effected at a meeting duly called for such purpose. Written notice of such meeting shall be sent to all Unit Owners at least thirty (30) days in advance, which notice shall set forth the purpose of the meeting. The due date(s) of any special assessment,

or any installment(s) thereof, shall be fixed in the resolution authorizing such special assessment. Any special assessment levied pursuant to this paragraph shall be applicable only for the year in which assessed.

Every Unit Owner, by acceptance of a deed or other conveyance for a Unit, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to covenant and agree to pay to the Association such sums, by way of annual or special Common Expense assessments contemplated herein or in the By-Laws. Upon the conveyance of title to a Unit, the portion of the then current annual assessment payable by the new Unit Owner shall be an amount which bears the same relationship to the annual assessment as the remaining number of months in the then current annual assessment period bears to twelve. No portion of any month shall be prorated. Such first annual assessment or portion thereof for which a new Unit Owner is liable shall be immediately due upon the closing of title to the purchaser.

The Association shall, upon the request of any Unit Owner liable for a Common Expense assessment, or of the holder of any Permitted Mortgage for any Unit, furnish to such Unit Owner or holder of any Permitted Mortgage, a certificate in writing, signed by an officer of the Association, setting forth whether or not such annual Common Expense assessment or any special Common Expense assessment has been paid. Such certificate shall constitute conclusive evidence of the payment of any Common Expense assessments therein stated to have been paid.

No Unit Owner may waive or otherwise avoid liability for Common Expenses by non-use of the Common Elements. Each such assessment shall be a continuing lien upon the Unit against which it was made and shall also be the joint and several personal obligation of the Owner of such Unit at the time when

(the Common Expense assessment fell due, and of each subsequent record Owner of such Unit, except as otherwise contemplated by subparagraph 24(e)(4) of this Master Deed together with such interest thereon and cost of collection thereof (including reasonable attorney's fees). Liens for unpaid Common Expense assessments may be foreclosed by suit brought in the name of the Association in the same manner as a foreclosure of a mortgage on real property. Suit to recover a money judgment for unpaid Common Expense assessments may be maintained without waiving the lien securing the same.

8. COMMON EXPENSES; RESPONSIBILITIES OF OWNERS; DAMAGE DUE TO NEGLIGENCE, OMISSION, OR MISUSE.

The annual Common Expense assessments levied by the Board shall be used exclusively for promoting the health, safety, pleasure and welfare of the members of the Association, including, but without limitation: the maintenance and repair of the exterior and roofs of the Buildings, including but not limited to cleaning and painting of the exterior surfaces and finishes; maintenance, repair and replacement of the Common Elements or any other improvements on the Property; payment of taxes and insurance premiums; all costs and expenses incidental to the operation and administration of the Association; and, such other items as may from time to time be deemed appropriate by the Board. The Board may also provide, by promulgating Rules and Regulations, that ordinary maintenance and minor repairs and replacements be furnished to Units by Association personnel or representatives and charged as a Common Expense.

Each Unit Owner shall promptly furnish, perform and be responsible for, at his own expense, all of the maintenance, repairs and replacements within his own Unit, provided, however: (i) such maintenance, repairs and replacements as may be required for the functioning of the common plumbing, heating, air-

(conditioning, mechanical, electrical and water supply systems within the Building shall be furnished by the Association; and (ii) the Association, its agent and employees may effect emergency or other necessary repairs which the Unit Owner has failed to perform; but any and all expenses incurred pursuant to the foregoing provisions shall be the responsibility of the Unit Owners affected thereby. Except as hereinbefore provided, maintenance, repairs and replacements of the plumbing fixtures and systems, windows, doors, electrical wiring and receptacles, kitchen appliances and equipment, and lighting fixtures within any Unit which are not common shall be the Unit Owner's responsibility at his sole cost and expense, and if the Unit Owner fails to perform such work the Association may do so on the Unit Owner's behalf and charge the reasonable expenses thereof to the Unit Owner. Maintenance, repair, replacement cleaning and washing of all wallpaper, paint, paneling, floor covering, draperies and window shades or curtains within any Unit shall also be the Unit Owner's responsibility at his sole cost and expense.

Unit Owners will be responsible for routine maintenance of Limited Common Elements, if any, appurtenant to their respective Units and the repair or replacement of any damage to the Limited Common Elements caused by the Unit Owner or the unit Owner's family, guests, invitees, employees or agents. The Association shall be responsible for all other maintenance, repair or replacement of the Common Elements, including the limited Common Elements.

If, due to the negligent act or omission of or misuse by Unit Owner, or a member of his family or household pet, or a guest, occupant or visitor (whether authorized or unauthorized by the Unit Owner), damage shall be caused to the Common Elements, or to a Unit(s) owned by others, or maintenance, repairs or replacements shall be required which would otherwise be a Common Expense, then the Unit Owner so responsible shall pay for such damage and be liable

for any damages, liability, costs and expense, including attorney's fees, caused by or arising out of such circumstances; and such maintenance, repairs and replacements to the General or Limited Common Elements or the Unit(s) shall be subject to the By-Laws and any Rules and Regulations that may be promulgated by the Board.

9. EASEMENTS

Every Unit Owner, his successors and assigns, shall have the following perpetual easements with respect to the Property:

- (a) A non-exclusive easement in, upon, over, under, across and through the Common Elements to keep, maintain, use, operate, repair and replace his Unit in its original position and in every subsequent position to which it changes by reason of the gradual forces of nature and the elements; and
- (b) An exclusive easement for the existence and continuance of any encroachment by his Unit upon any adjoining Unit or upon any Common Elements, now existing or which may come into existence hereafter as a result of construction, reconstruction, repair, shifting, settlement or movement of any portion of a Building or a Unit, or as a result of condemnation or eminent domain proceedings, so that any such encroachment may remain undisturbed so long as the Building stands; and
- (c) A non-exclusive easement for ingress and egress to his Unit in, upon, under, over, across and through the General Common Elements; and

- (d) An exclusive easement to use and enjoy the surfaces of the main walls, (including any windows, doors, balcony or patio therein), ceilings and floors contained within his Unit; and
- (e) An easement in common with the owners of all other Units to use all pipes, wires, ducts, cables, conduits, public utility lines, television, master antenna and other General Common Elements located in any of the other Units and serving his Unit; and

- (f) A perpetual and non-exclusive easement in, over and through the General Common Elements of the Condominium and to use the parking areas, walkways and other common facilities within the Condominium subject to the right of the Board to:
 - (i) promulgate rules and regulations for the use and enjoyment thereof; and
 - (ii) suspend the voting rights of any Unit Owner for any period during which any assessment for Common Expenses remains unpaid, or for any period during which any infraction of its published Rules and Regulations continues, it being understood that any suspension for either non-payment of any assessment or a breach of the rules and regulations of the Association shall not constitute a waiver or discharge of the Unit Owner's obligation to pay the assessment.

Sponsor, its successors and assigns, shall have the following easements with respect to the Property:

- (a) A blanket and non-exclusive easement in, upon, through, under and across the Common Elements for the purpose of construction, installation, maintenance and repair of any improvements to the Units or the Common Elements, for ingress and egress for the use of all driveways, parking areas, and for the utilization of existing and future model Units for sales promotion and exhibition, until the expiration of one (1) year from the date the last Unit is sold and conveyed in the normal course of business, but in no event more than ten (10) years from the date of recording this Master Deed. In addition, Sponsor hereby reserves the irrevocable right to enter into, upon, over or under any Unit for such purposes as may be reasonably necessary for the Sponsor or its agents to service such Unit or any part of the Building provided that requests for entry are made in advance and that such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate whether the Unit Owner is present at the time or not; and
- (b) A perpetual, blanket and non-exclusive easement in, upon, over, under, across and through the Common Elements for surface water runoff and drainage caused by natural forces and elements, grading, and/or the improvements located upon the Property. No individual Unit Owner shall directly or indirectly interfere with or alter the drainage and runoff patterns and systems within the Condominium.

The Property shall also be subject to the following easements:

- (a) The Association shall have a perpetual exclusive easement for the maintenance of any Common Elements, which presently or may hereafter encroach upon a Unit; and
- (b) The Association, through the Board or any manager, or managing agent, or their respective agents or employees shall have the perpetual and non-exclusive right of access to each Unit (i) to inspect same (ii) to remedy any violations of the provisions of this Master Deed, the By-Laws or any Rules and Regulations of the Association, and (iii) to perform any operations required in connection with the maintenance, repairs or replacements of or to the Common Elements, or any equipment, facilities or fixtures affecting or serving other Unit(s) or the Common Elements; provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, without the necessity of notice, whether the Unit Owner is present at the time or not; and
- (c) Any holder of a Permitted Mortgage, including any Eligible Mortgage Holder, its officers, agents and employees, shall have a blanket, perpetual and non-exclusive easement to enter the Condominium or any part thereof to inspect the condition and repair of the Common Elements, or any Units so encumbered by a first mortgage owned by it. This right shall be exer-

cised only during reasonable daylight hours, and then whenever practicable, only after advance notice to and with the permission of the Board and the Unit Owner; and

- (d) A blanket, perpetual and non-exclusive easement in, upon, over, across and through the Common Elements for the purpose of the installation, maintenance, repair, service and replacement of all sewer, water, power and telephone pipes, lines, mains, conduits, poles, transformers, master television antennas and any and all other equipment or machinery necessary or incidental to the proper functioning of any utility systems serving the Property, which easement shall be for the benefit of any governmental agency, or utility company or other entity which requires same for the purpose of furnishing one or more of the foregoing services; and
- (e) A blanket, perpetual and non-exclusive easement of unobstructed ingress and egress in, upon, over, across and through the Common Elements to the Township of Franklin, the Association, their respective officers, agents and employees (but not the public in general) and all police, fire and ambulance personnel in the proper performance of their respective duties, (including but not limited to emergency or other necessary repairs to a Unit which the Unit Owner has failed to perform), and for repair and maintenance of the Common Elements. Except in the event of emergencies, the rights accompanying the easements provided for in this subparagraph shall be

exercised only during reasonable daylight hours and then ,
whenever practicable, only after advance notice to and with
permission of the Unit Owner(s) directly affected thereby.

10. BY-LAWS AND ADMINISTRATION; CHANGES IN DOCUMENTS; POWER OF
ATTORNEY.

The administration of the Common Elements of the Condominium and other common facilities shall be by the Association in accordance with the provisions of the New Jersey Condominium Act, this Master Deed, the Certificate of Incorporation, the By-Laws, and of any other agreements, documents, amendments or supplements to the foregoing which may be duly adopted or subsequently be required by any Eligible Mortgage Holder designated by the Sponsor or by any governmental agency having regulatory jurisdiction over the Condominium or by any title insurance company selected by Sponsor to insure title to any Unit(s). Sponsor hereby reserves for itself, its successors and assigns, for a period of five (5) years from the date the first Unit is conveyed to an individual purchaser, or until Sponsor conveys title to the last Unit, whichever occurs first, the right to execute on behalf of all contract purchasers, Unit Owners, mortgagees, other lienholders or parties claiming a legal or equitable interest in the Condominium, any such agreements, documents, amendments or supplements to the above described documents which may be so required by any such Eligible Mortgage Holder, governmental agency or title insurance company; provided, however, that no such agreement, document, amendment or supplement which adversely affects the value or substantially alters the floor plan of any Unit, or changes the percentage of the undivided interest in the Common Elements or increases the financial obligations of the Unit Owner or reserves any additional or special privileges shall be

made without the prior written consent of the affected Unit Owner(s) and all owners of any mortgage(s) encumbering same; or if such agreement, document, amendment or supplement adversely affects the priority or validity of any mortgage which encumbers any Unit, without the prior written consent of the owners of all such mortgages.

By acceptance of a deed to any Unit or by the acceptance of any other legal or equitable interest in the Condominium, each and every such contract purchaser, Unit Owner, mortgagee, or other lienholder or party having a legal or equitable interest in the Condominium does automatically and irrevocably name, constitute, appoint and confirm (i) Sponsor, its successors and assigns, as attorney-in-fact for the purpose of executing such amended Master Deed(s) and other instrument(s) necessary to effect the foregoing rights reserved to the Sponsor, subject to the limitations set forth above in the preceding paragraphs, and (ii) the Association as attorney-in-fact to acquire title to or lease any Unit whose owner desires to surrender, sell or lease the same, in the name of the Association or its designees, corporate or otherwise, on behalf of all Unit Owners to convey, sell, lease, mortgage (but not to vote the votes appurtenant thereto) or otherwise, dispose of any such Units so acquired or to sublease any Units so leased by the Association.

The powers of attorney aforesaid are expressly declared and acknowledged to be coupled with an interest in the subject matter hereof and the same shall run with the title to any and all Units and be binding upon the heirs, personal representatives, successors and assigns of any of the foregoing parties. Further, said powers of attorney shall not be affected by the death or disability of any principal and are intended to deliver all right, title and interest of the principal in and to said powers. Said powers of attorney shall be vested in the

Sponsor, its successors and assigns until same effectuate the initial conveyance of all Units. Thereafter, said powers of attorney shall automatically vest in the Association to be exercised through its Board of Directors.

Notwithstanding the foregoing, the Sponsor shall not be permitted to cast any votes held by it for unsold Units for the purpose of amending this Master Deed, the By-Laws of the Trendmaker Homes North at Quailbrook Condominium Association, Inc., or any other document for the purpose of changing the permitted use of a Unit or the purpose of reducing the Common Elements or facilities except as provided above.

11. RESTRICTIONS. The Condominium is subject to all covenants, restrictions and easements of record and to the following restrictions:

- (a) No Unit, except those Units utilized by the Sponsor as sales offices, administrative offices or models, shall be used for any purpose other than as a private residence, except as provided by subparagraph 11(u) hereof.
- (b) There shall be no obstruction of the Common Elements nor shall anything be stored in or upon the Common Elements without the prior consent of the Board.
- (c) No reptile, or animal of any kind shall be raised, bred, or kept in any Unit or anywhere else upon the Property, except that dogs, cats or other household pets are permitted, not to exceed two in the aggregate, provided that they are not kept, bred or maintained for any commercial purpose, are housed within the Unit and are otherwise kept in accordance with all applicable Rules and Regulations. No outside dog pens, runs or yards shall be permitted.

(d) No vehicles of a size larger than a panel truck and no mobile home, recreation vehicles, boat, boat trailer or the like shall be parked on any part of the Property, except that those vehicles temporarily on the Property for the purpose of servicing the Property itself or one of the Units, shall be permitted without written consent of the Board.

~~(e) No portion of the Common Elements or other portion of the~~
Property shall be used or maintained for the dumping of rubbish or debris except in the dumpster disposal areas. Trash, garbage or other waste shall be kept in sanitary containers on the Property for regular collection.

(f) No exterior loudspeakers other than as contained in portable radios or television sets shall be permitted, nor shall unshielded floodlights be installed in any exterior area of any Unit or any balcony, patio or terrace appurtenant thereto without the written permission of the Board.

(g) The Owner of each Unit, regardless of type, shall not cause or permit any clothes, sheets, blankets, or laundry of any kind or other articles to be hung or displayed on the outside of windows or placed on the outside windowsills, walls, patios or balconies of any Building, parking areas or other Common Element; and no signs, awnings, grills, patio or balcony enclosure, fence, canopies, shutters, or radio or television antenna or aerial shall be erected or installed in or upon the Common Elements or any part thereof without the

prior consent of the Board. Unit Owners shall not have the right to paint or otherwise decorate or change the appearance of any portion of the exterior of the Building.

(h) In order to provide an orderly procedure in the case of title transfers, and to assist in the maintenance of a current, up to date roster of Unit Owners or occupants, each Unit Owner shall give the Secretary of the Association timely notice of his intent to list his Unit for sale or lease, and upon closing of title, or execution of the lease, as the case may be, shall forthwith notify such Secretary of the names and home addresses of the purchasers or lessees.

(i) No Unit Owner or occupant shall build, plant, or maintain any matter or thing upon, in, over or under the General or Limited Common Elements without the prior written consent of the Board unless permitted by any rules and regulations promulgated by the Board or Association.

(j) Each Unit Owner shall be responsible for the maintenance, repair and replacement of all windows and the front door of his Unit.

(k) No Unit Owner or occupant shall burn, chop or cut anything on, over or above the Common Elements.

(l) To the extent that equipment, facilities and fixtures, within any Unit(s) shall be connected to similar equipment, facilities or fixtures affecting or serving other Unit(s) or the

Common Elements, then the use thereof by the individual Unit Owners shall be subject to this Master Deed, the By-Laws and any rules and regulations of the Association.

(m) Nothing shall be done or kept in any Unit or in or upon the Common Elements which will increase the rates of insurance of any Building or the contents thereof beyond the rates applicable for Units, without the prior written consent of the Board. No Unit Owner shall permit anything to be done or kept in his Unit or in or upon the Common Elements which will result in the cancellation of insurance on any Building or the contents thereof, or which will be in violation of any law.

(n) No noxious or offensive activities shall be carried on, in or upon the Common Elements or in any Unit nor shall anything be done therein either wilfully or negligently which may be or become an annoyance or nuisance to the other residents in the Condominium.

(o) No immoral, improper, offensive or unlawful use shall be made of any Unit; and all laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereover shall be observed.

(p) Nothing shall be done to any Unit or on or in the Common Elements which will impair the structural integrity of any Building or which will structurally change any Building. No Unit Owner (other than the Sponsor) may make any structural additions, alterations or improvements in or to his Unit or

in or to the Common Elements, or impair any easement without the prior written consent of the Board. Notwithstanding the foregoing, while the Sponsor maintains a majority on the Board, it shall make no additions, alterations, improvements or purchases which would necessitate a special assessment or a substantial increase in the monthly common expense assessment unless required by a governmental agency, title insurance company, institutional mortgage lender or in the event of an emergency. The Board shall have the obligation to answer any written request received by it from a Unit Owner for approval of a proposed structural addition, alteration or improvement to his Unit within forty-five (45) days after the receipt of such request, and failure to do so within the stipulated time shall constitute a denial of the proposal. Any application to any municipal authority for a permit to make an addition, alteration or improvement in or to any Unit must be reviewed by the Board and, if approved, shall be executed by the Board and may then be submitted by the Unit Owner. Such approval, however, shall not incur any liability on the part of the Association to any contractor, subcontractor, or materialman on account of such addition, alteration, or improvement, or to any person having any claim for injury to person or damage to property arising therefrom. The Unit Owners shall furnish the Board with a copy of any such permit which he has procured. The provisions of this

subparagraph shall not apply to Units owned by the Sponsor until such Units have been initially sold and conveyed by the Sponsor.

(q) The Common Elements shall be used only for the furnishing of the services and facilities for which they are reasonably intended and suited and which are incident to the use and occupancy of the Units.

(r) No Unit shall be leased by the Owners thereof (except a lender in possession of such Unit following a default in a first mortgage, a foreclosure proceeding or by any deed or other arrangement in lieu of foreclosure) or otherwise utilized for transient or hotel purposes, which shall be defined as (i) rental for any time period less than six (6) months; or (ii) any rental if the occupants of the Unit are provided customary hotel services, such as room service for food and beverages, mail service, furnishing laundry and linen, and bellboy service, provided however, that any Unit Owner, including Sponsor, may rent a Unit for a period of less than six (6) months to a contract purchaser thereof.

Other than the foregoing restrictions, the unit Owners shall have the right to lease same provided that said lease is in writing and is subject to all provisions of this Master Deed, the By-Laws of the Association and other documents referred to herein, including the right of amendment reserved

to Sponsor herein, and provided further that any failure of the lessee to fully comply with the terms and conditions of such documents shall constitute a default under the lease.

Notwithstanding the preceding, the initial Owner of any Unit, who has purchased his Unit from the Sponsor shall live in the Unit so purchased.

In the event a tenant of a Unit fails to comply with the provisions of this Master Deed, the By-Laws or and any rules and regulations then, in addition to all other remedies which it may have, the Association shall notify the Unit Owner of such violation(s) and demand that the same be remedied through the Unit Owner's efforts within thirty (30) days after such notice. If such violation(s) is not remedied within said thirty (30) day period, then the Unit Owner shall immediately thereafter, at his own cost and expense, institute and diligently prosecute an eviction action against his tenant on account of such violation(s). Such action shall not be compromised or settled without the prior written consent of the Association. In the event the Unit Owner fails to fulfill the foregoing obligation, then the Board shall have the right, but not the duty, to institute and prosecute such action as attorney-in-fact for the Unit Owner and at the Unit Owner's sole cost and expense, including all legal fees incurred. Said cost and expenses shall be deemed to constitute a lien on the particular Unit involved, and collection thereof may be enforced by the Board in the same manner as

the Board is entitled to enforce collection of Common Expenses. By acceptance of a deed to any Unit, each and every Unit Owner does thereby automatically and irrevocably name, constitute, appoint and confirm the Board as his attorney-in-fact for the purposes described in this subparagraph (r).

- (s) No Unit Owner shall have the right to mortgage or encumber his Unit, unless such mortgage or encumbrance is a Permitted First Mortgage. No other mortgages or encumbrances shall be permitted without the prior written approval of the Board.
- (t) All property taxes, special assessments and other charges imposed by any taxing authority are to be separately assessed against and collected on each Unit as a single parcel, as provided by the New Jersey Condominium Act. In the event that for any year such taxes are not separately taxed to each Unit, but are taxed on the Property as a whole, then each Unit Owner shall pay his proportionate share thereof in accordance with his proportionate undivided percentage interest in the General Common Elements.
- (u) Each Unit Owner shall pay for his own telephone, and other utilities, which are separately metered or billed to each user by the respective utility company. Utilities which are not separately metered or billed or which serve the Common Elements shall be treated as part of the Common Expenses.

(v) No business, trade or profession shall be conducted in any Unit, except, if permitted under applicable zoning ordinances, that of a physician, dentist, or other practitioner of the healing arts and sciences; an attorney at law, accountant, professional engineer, architect, or artist. In such event, the use of the Property for any such purpose shall be restricted to not more than fifty percent of the livable area of the Unit; and no exterior sign shall be erected or displayed except one non-illuminated sign, which shall be no larger than eight inches in height and thirty inches in length. Notwithstanding the foregoing, no sign shall be erected unless same is in compliance with applicable governmental regulations and all necessary prior approvals, permits or licenses have been secured from appropriate regulatory entities.

(w) No clothes poles or lines shall be installed or maintained.

The Board shall have the power to make such rules and regulations as may be necessary to carry out the intent of these use restrictions, and shall have the right to bring law suits to enforce the rules and regulations so promulgated. The Board shall further have the right to levy fines for violations of these regulations, provided that the fine for a single violation may not, under any circumstances, exceed \$10.00. Each day that a violation continues after receipt of notice by the Unit Owner may be considered as a separate violation. Any fine so levied shall be considered as a Common Charge to be levied against

the particular Unit Owner involved, and collection may be enforced by the Board in the same manner as the Board is entitled to enforce collection of Common Charges, including, but not limited to, the filing of a Notice of Lien.

12. OBLIGATIONS OF SPONSOR. Until the conveyance of title to the first Unit, the Sponsor shall be solely responsible for all Common Expenses. Following the first conveyance, the Owners of Units to whom title shall have been conveyed shall be responsible for their proportionate share of all Common Expenses and the Sponsor shall be responsible for payment of all Common Expenses assessed against Units which have not been conveyed and for which an initial Certificate of Occupancy has been issued by the Township of Franklin.

13. NO PARTITION. Subject to the provisions of this Master Deed and Certificate of Incorporation and By-Laws and the New Jersey Condominium Act, the Common Elements shall remain undivided and no Unit Owner(s) shall bring any action for partition or division thereof. In addition, the undivided percentage interest in the Common Elements shall not be separated from the Unit to which it appertains and shall be deemed conveyed or encumbered with the Unit even though such interest is not expressly mentioned or described in the conveyance or other instrument.

14. MEMBERSHIP IN THE ASSOCIATION. Upon acceptance of a Deed to a Unit each Unit Owner shall automatically become a member of the Association and shall be a member for so long as he shall hold legal title to his Unit subject to all provisions of this Master Deed, the New Jersey Condominium Act, the Certificate of Incorporation, the By-Laws and any rules and regulations which may now or hereafter be established for or by the Association. The Sponsor shall be a member of the Association with respect to all Units owned by it.

15. COMPLIANCE BY OWNERS. Each owner or occupant of a Unit shall comply with, and shall assume ownership or occupancy subject to laws, rules and regulations of governmental authorities having jurisdiction over the Condominium, the provisions of this Master Deed, the Certificate of Incorporation, By-Laws, or any other rules and regulations, documents, amendments or supplements to the foregoing as described in paragraph 10 hereof. Failure to comply with any of the foregoing shall be grounds for commencement of an action for the recovery of damages, or for injunctive relief, or both, by the Sponsor, the Association, or any Unit Owner, in any court or administrative tribunal having jurisdiction, against any person or persons, firm or corporation violating or attempting to violate or circumvent any of the aforesaid, and against any Unit Owner to enforce any lien created by this Master Deed or any covenant contained herein. Failure by the Sponsor, the Association, or any Unit Owner to enforce any covenant herein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to thereafter enforce the same.

16. DAMAGE OR DESTRUCTION TO THE PROPERTY. If any Building, any improvement or Common Element or any part thereof is damaged or destroyed by fire or casualty, the repair, restoration or ultimate disposition of any insurance proceeds shall be in accordance with the following:

- a. If the insurance proceeds derived from such loss amount to \$25,000 or less, then the Board shall contract with any licensed contractor or contractors to rebuild or repair such damaged or destroyed portions of the Property in conformance with the original plans and specifications, or if adherence to such original plans and specifications is impracticable in the Board's opinion, then in conformance with revised plans and specifications provided such repairs or rebuilding shall be of

a quality and kind substantially equivalent to the original construction. The Board shall accept bids only in specific amounts and shall not enter into any cost-plus or other sliding scale arrangement for compensation to the contractor.

b. If the insurance proceeds derived from such loss exceed \$25,000.00, all such insurance proceeds shall be paid directly to an Insurance Trustee as may be designated by the Board, as trustee for all Eligible Mortgage Holders holding first mortgages on the Property, and all Unit Owners as their interests may then appear. Disbursement of such funds shall be made only upon the signatures of a majority of the members of the Board.

(1) Upon notification of the receipt of insurance proceeds by the Insurance Trustee, the Board shall enter into a contract for a specific dollar amount with a licensed contractor or contractors for the repair or rebuilding of all of the damaged or destroyed portions of the property, as nearly as practicable to the original plans and specifications thereof and in accordance with all applicable building codes.

(2) The Board shall enter into said contract with a licensed contractor or contractors which shall have provisions for periodic disbursements of funds by the trustee. Disbursements to the contractor shall be made subject to the prior presentation of an architect's certificate containing such provisions as may be appropriate in the circumstances and deemed suitable by the Board.

(3) The Board shall employ a licensed architect to supervise the repair and rebuilding to insure that such work, services and supplies are of proper quality and that construction is contemplated in a workmanlike manner and according to plans and specifications.

c. If the damage is only to those parts of a Unit for which the responsibility for maintenance and repair is that of the Owner, then that Owner shall be responsible for reconstruction and repair, but the proceeds of any insurance that may have been obtained by the Association shall be made available for such purpose. Subject to the provisions of this Master Deed, in all other instances the responsibility of reconstruction and repair after casualty shall be that of the Association.

d. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction and repair, or if at any time during reconstruction and repair, or upon completion of reconstruction and repair, the funds for payment of the costs thereof are insufficient, assessments shall be made against all Owners whose Units were damaged or destroyed, in sufficient amounts to provide funds for the payment of such costs. Anything to the contrary in this Master Deed or By-Laws notwithstanding, such assessments shall be in proportion to the Unit Owner's percentage interest in the Common Elements. The foregoing provisions of this subparagraph are applicable to the repairs and reconstruction to be undertaken by the Association and do not cover damages to those portions of the Unit for which the responsibility of maintenance and repair is that of the Unit Owner for which the costs and expenses must be borne by each Owner; provided, however, any portion of the insurance proceeds representing damage for which the responsibility

of reconstruction and repair lies with an individual Unit Owner shall be paid to said Unit Owner, or if there is a mortgage endorsement as to such Unit, then to the Unit Owner and mortgagee, jointly.

e. If the amount of available insurance proceeds should exceed the cost of any such reconstruction or repair, the excess shall be retained by the Association and applied by it to reduce the Common Expenses.

f. In the event the Association determines not to repair or restore the damaged property in accordance with N.J.S.A. 46:8B-24, any insurance proceeds payable to a Unit Owner as a result of damage or destruction to his Unit and/or interest in the Common Elements are hereby assigned and shall be paid to any appropriate Eligible Mortgage Holder(s) as their interests may appear, for application to the appropriate mortgage indebtedness and the excess, if any, shall be paid to the appropriate Unit Owners, all in accordance with N.J.S.A. 46:8B-24.

17. EMINENT DOMAIN. If any Building, improvement or Common Element or any part thereof shall be taken, injured or destroyed by eminent domain, each Unit Owner affected shall be entitled to notice of such taking and to participate through the Association in the proceeding incident thereto. Any awards made in connection with such proceedings shall be collected by the Association and applied or distributed by it in accordance with the following, unless the award or decree provides to the contrary:

- (a) If a Unit is acquired by eminent domain, or if part of a Unit is acquired by eminent domain leaving the Unit Owner with a remnant which may not be practical or lawfully be used for any purpose permitted by this Master Deed, the provisions of this subparagraph (a) will control. Upon acquisition by the

condemning authority, unless the decree provides otherwise, each affected Unit's entire percentage interest and its Common Expense liability shall be automatically reallocated to the remaining Units in proportion to their respective percentage interests and the liabilities of such remaining Units before the taking, and the Association shall promptly prepare, execute, and record an amendment to the Master Deed reflecting the reallocations. Any remnant of a Unit remaining after a part of a Unit is taken under this subsection shall thereafter be a Common Element.

- (b) If part of a Unit is acquired by eminent domain, other than under the circumstances contemplated by subparagraph (a), this subparagraph (b) will control. Upon acquisition by the condemning authority, (1) each affected percentage interest, and its Common Expense liability shall be reduced in proportion to the reduction in square footage of each such Unit, and (2) the portion of its percentage interest, and Common Expense liability divested from the partially acquired unit shall be automatically reallocated to each such Unit and the remaining Units in proportion to their respective percentage interests and the liabilities of such remaining Units before the taking, with the partially acquired Unit(s) participating in the reallocation on the basis of their reduced percentage interest and liabilities.

- (c) If a part of the Common Elements is acquired by eminent domain, the award must be paid to the Association. The Association shall divide any portion of the award not used for any restoration or repair of the remaining Common Elements among the affected Unit Owners in proportion to their respective percentage interest, in the Common Elements before the taking, but the portion of the award attributable to the acquisition of any Limited Common Element must be equally divided among the Owners of the Units to which that Limited Common Element was allocated at the time of acquisition based upon the relative proportionate entitlement of those Unit Owners to the acquired Limited Common Elements.
- (d) In no event shall the aggregate amount distributed to the affected Unit Owner(s) exceed the total amount of any award paid with respect to any taking by eminent domain. This provision shall be deemed to be supplemental to and not in derogation of the provisions of N.J.S.A. 46:8B-25.

18. INSURANCE. The Board shall obtain and continue in effect blanket property insurance on the Common Elements in an amount equaling replacement value, and in form satisfactory to any Eligible Mortgage Holder holding first mortgages on a majority of the Units, but without prejudice to the right of the Owner of any Unit to obtain individual Unit insurance at his own cost. In addition, the Board shall obtain and continue such other amounts of insurance as may be required by the provisions of the By-Laws. Premiums for all such insurance coverage except for individual Unit coverage shall be a Common Expense to be included in the monthly assessment for Common Expenses.

19. AMENDMENT OF MASTER DEED. This Master Deed may be amended at any time after the date hereof by a vote of at least two-thirds (2/3) of the total votes of all Members of the Association at any meeting of the Association duly held in accordance with the provisions of the By-Laws provided, however, that any amendment so requiring it under the provisions of paragraph 24, shall also have the prior written approval of each Eligible Mortgage Holder. No amendment shall be effective until recorded in the Office of the Clerk of Somerset County, New Jersey. This paragraph is by way of supplement to and not in derogation of the powers of amendment reserved to Sponsor pursuant to paragraph 10 hereof. In the alternative, an amendment may be made by an agreement, signed and acknowledged by all of the Unit Owners in the manner required for the execution of a deed, and such amendment shall be effective when recorded in the Office of the Clerk of Somerset County, New Jersey.

20. ENFORCEMENT. Enforcement of this Master Deed shall be by any appropriate proceeding in law or equity in any court or administrative tribunal having jurisdiction against any person or persons, firm or corporation violating or attempting to violate any covenant herein contained; either to restrain or enjoin such violation or threatened violation, or to recover damages; and against any Owner to enforce any lien created by this Master Deed in any covenant herein contained. Failure by the Association or any Member thereof to enforce any covenant herein contained for any period of time shall in no event be deemed a waiver or estoppel of the right to thereafter enforce the same.

In the event the Condominium is not maintained in reasonable order and condition, the Township of Franklin shall have the right to enter upon and maintain the Condominium in accordance with the provisions of N.J.S.A. 40:55D-43(b). The cost of such maintenance by the municipality shall be assessed pro

rata against the Owners of each Unit affected thereby and shall become a lien and tax on each such Unit, and shall be enforceable by the Township of Franklin in the manner provided by law with respect to real estate taxes assessed directly against each such Unit.

21. WAIVER. No provision contained in this Master Deed shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

22. GENDER. The use of the masculine gender in this Master Deed shall be deemed to refer to the feminine gender and the use of the singular shall be deemed to refer to the plural, and vice versa, whenever the context so requires.

23. RATIFICATION, CONFIRMATION AND APPROVAL OF AGREEMENTS. The fact that some or all of the officers, Directors, Members or employees of the Association and the Sponsor may be identical, and the fact that the Sponsor or its nominees, have heretofore or may hereafter enter into agreements with the Association or with third parties, will not invalidate any such agreements and the Association and its Members, from time to time, will be obligated to abide by and comply with the terms and conditions thereof. The purchase of a Unit, and the acceptance of the Deed therefor by any party, shall constitute the ratification, confirmation and approval by such purchaser, his heirs, legal representatives, successors and assigns, of the propriety and legality of said agreements or said agreement, or any other agreements authorized and permitted by the New Jersey Condominium Act, this Master Deed, the Certificate of Incorporation or the By-Laws.

24. RIGHTS RESERVED TO SPONSOR. Anything to the contrary herein or in the Certificate of Incorporation or By-Laws of the Association notwithstanding, Sponsor hereby reserves for itself, its successors and assigns, for so long as it owns one or more Units in the Condominium, the right to sell, lease, mortgage or sublease any unsold Units within the Condominium.

By acceptance of a deed to any Unit or by the acceptance of any other legal or equitable interest in the Condominium, each and every such contract purchaser, Unit Owner, mortgagee, or other lienholder or party having a legal or equitable interest in the Condominium does automatically and irrevocably name, constitute, appoint and confirm the Sponsor, its successors and assigns, as attorney-in-fact for the purpose of executing such amendment to this Master Deed and any other instrument(s) necessary to effect the foregoing rights reserved to the Sponsor.

The power of attorney aforesaid is expressly declared and acknowledged to be coupled with an interest in the subject matter hereof and the same shall run with the title to any and all Units and be binding upon the heirs, personal representatives, successors and assigns of any of the foregoing parties. Further, said power of attorney shall not be affected by the death or disability of any principal and is intended to deliver all rights, title and interest of the principal in and to said power.

25. ELIGIBLE MORTGAGE HOLDER'S RIGHTS.

(a) "Eligible Mortgage Holder" shall mean and refer to any First Mortgage Holder which has requested in writing that the Association provide notice of any of the proposed actions described in Subparagraph (b) of this Paragraph.

(b) Each Eligible Mortgage Holder shall be entitled to timely written notice of the following:

- (1) Any proposed amendment to the Certificate of Incorporation, the By-Laws or this Master Deed.
- (2) Any condemnation or casualty loss that affects either a material portion of the Common Elements or the Unit securing the Eligible Mortgage Holder's mortgage.
- (3) Any sixty (60) day delinquency in the payment of Common Expense assessment installments or other assessments or charges owed to the Association by the Unit Owner of the Unit upon which the Eligible Mortgage Holder holds a First Mortgage.
- (4) A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association.
- (5) Any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders.

(c) Notwithstanding any provision to the contrary contained in the Certificate of Incorporation, the By-Laws or this Declaration, the prior written approval of at least fifty one (51%) percent of the Eligible Mortgage Holders is required for any material amendment to the Certificate of Incorporation, the By-Laws and this Master Deed, including, but not limited to, any amendment which would change:

- (1) Voting rights;
- (2) reserves for maintenance, repair and replacement of Common Elements;

(3) responsibility for maintenance and repairs;

(4) assessment allocations, assessment liens or

subordination of assessment liens;

(5) reallocation of interests in the General or
Limited Common Elements or rights to their use;

(6) boundaries of any Unit;

(7) convertibility of Units into Common Elements or
vice versa;

(8) expansion or contraction of the development, or
the addition, annexation or withdrawal of land to
or from the Condominium;

(9) insurance or fidelity bonds;

(10) leasing of Units;

(11) imposition of any restrictions upon a Unit
Owner's right to sell or transfer his or her
Unit;

(12) a decision by the Association to establish self-
management rather than professional management;

(13) restoration or repair of the development (after
damage, destruction or condemnation) in a manner
other than that specified in this Master Deed or
the by-Laws;

(14) any action to terminate the legal status of the
development after substantial damage or condem-
nation occurs; or

(15) any provisions that expressly benefit Eligible Mortgage Holders.

(d) Each Eligible Mortgage Holder shall receive thirty (30) days advance notice, to be sent certified mail, return receipt requested, of any proposed non-material amendment to this Master Deed, the By-Laws or the Certificate of Incorporation permitted by same, which notice shall include a copy of the proposed change. Any Eligible Mortgage Holder being served with such notice shall be deemed to have implicitly approved such change as proposed unless it states in a written response to the Association its objections or comments relative to such proposed change.

(e) The following additional provisions are for the benefit of Eligible Mortgage Holders:

- (1) Any lien the Association may have on a Unit for the payment of Common Expense assessments attributable to each Unit is subordinate to the lien or equivalent security interest of any First Mortgage on the Unit recorded prior to the date any such Common Expense assessment became due.
- (2) The Association shall maintain current copies of the Master Deed, Certificate of Incorporation, By-Laws and Rules and Regulations of the Association, and any respective amendments thereto, as well as its own books, records and financial statement available for inspection by Unit Owners and Eligible Mortgage Holders. Any Eligible Mortgage Holder shall upon written

request, (i) be permitted to inspect the books and records of the Association during normal business hours (ii) receive an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association; and (iii) receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

- (3) Any Eligible Mortgage Holder who holds a first mortgage lien on a Unit who obtains title to such Unit as a result of foreclosure of the First Mortgage, or by deed or assignment in lieu of foreclosure, or any purchaser in a foreclosure sale, or their respective successors and assigns, is not liable for the share of Common Expenses or other assessments by the Association pertaining to such Unit or chargeable to the former Unit Owner which became due subsequent to recordation of the First mortgage and prior to acquisition of title. Such unpaid share of Common Expenses and other assessments shall be deemed to be Common Expenses collectible from all of the remaining Unit Owners including such acquirer, his successors and assigns.

(4) Any management agreement for the Property, except the initial management agreement, will be terminable by the Association with or without cause upon thirty (30) days prior written notice thereof, and the term of any such agreement shall not exceed one year.

(5) Any lien the Association may have on any Unit for the payment of Common Expense assessments attributable to such Unit is subordinate to the lien or equivalent security interest of any First Mortgage on the Unit recorded prior to the date any such Common Expense assessment became due.

26. DURATION. The provisions of this Master Deed shall be perpetual in duration, shall run with and bind all of the land included in the Condominium and shall inure to the benefit of and be enforceable by the Association and the Unit Owners, their respective successors, assigns, heirs, executors, administrators, and personal representatives, except that the covenants and restrictions set forth in Paragraph 11 shall have an initial term of forty years from the date this Master Deed is recorded in the office of the Somerset County Clerk, at the end of which period such covenants and restrictions shall automatically be extended for successive periods of ten (10) years each, unless at least two-thirds (2/3) of the Unit Owners at the time of expiration of the initial period, or of any extension period, shall sign an instrument, or instruments (which may be in counterparts), in which they shall agree to change said covenants and restrictions in whole or in part; but no such agreement shall become binding unless written notice containing the terms of the proposed agreement is

sent to every Owner at least ninety (90) days in advance of the action taken in authorizing said agreement; and, in any event, any changes concerning any such agreement shall not become effective and binding until three (3) years after the recording of the aforesaid fully executed instrument or instruments containing such agreement, and provided further, that in no event may the Common Elements be conveyed to any third person, firm or corporation, without the express consent, by ordinance, of the governing body of the Township of Franklin (or such municipal corporation or other governmental entity as may then have zoning and subdivision jurisdiction over the Property).

27. RULE AGAINST PERPETUITIES. If any provision of this Master Deed, or the By-Laws shall be interpreted to constitute a violation of the rule against perpetuities, then such provision shall be deemed to remain in effect until the death of the last survivor of the now living descendants of Robert F. Kennedy, deceased, former Senator of the State of New York, plus twenty-one (21) years thereafter.

28. SPECIAL SPONSOR'S RIGHTS.

(a) No special rights created or reserved to the Sponsor under this Master Deed ("Special Sponsor Rights") may be transferred except by an instrument evidencing the transfer recorded in the Office of the Clerk of Somerset County, New Jersey. The instrument shall not be effective unless executed by the transferee.

(b) Upon transfer of any such Special Sponsor Right, the liability of the transferor is as follows:

(i) A transferor is not relieved of any obligation or liability arising before the transfer and remains liable for warranty obligations imposed upon him. Lack of privity does not deprive any Unit Owner of ~~standing to bring an action to enforce any obligation of the transferor.~~

(ii) If a transferor retains any such Special Sponsor Right, or if a successor to any such Special Sponsor Right is an affiliate of the Sponsor, the transferor is subject to liability for all obligations and ~~liabilities imposed on a Sponsor or by the Master Deed, arising after the~~ transfer, and is jointly and severally liable with the successor for the liabilities and obligations of the successor which relate to the Condominium.

(iii) A transferor who retains no such Special Sponsor Rights has no liability for any act or omission or any breach of a contractual or warranty obligation arising from the exercise of any such Special Sponsor Right by a successor Sponsor who is not an affiliate of the transferor.

(c) Unless otherwise provided in a mortgage instrument or deed of trust, in case of foreclosure of a mortgage, sale by a trustee under a deed of trust, or sale under Bankruptcy Act or receivership proceedings, of any Units owned by Sponsor in the Condominium, a person acquiring title to all the Units being foreclosed or sold, but only upon his request, succeeds to all such Special Sponsor Rights, or only to any such Special Sponsor Rights to maintain models, sales offices and signs. The judgment or instrument conveying title shall provide for transfer of only the Special Sponsor Rights requested.

(d) Upon foreclosure, sale by a trustee under a deed of trust, or sale under Bankruptcy Act or receivership proceedings, of all Units in the Condominium owned by Sponsor;

(i) The Sponsor ceases to have any such Special Sponsor Rights,
and

(ii) The period of Sponsor control terminates unless the judgment or instrument conveying title provides for transfer of all such Special Sponsor Rights to a successor to Sponsor.

(e) The liabilities and obligations of persons who succeed to all Special Sponsor Rights are as follows:

(i) A successor to all such Special Sponsor Rights who is an affiliate of the Sponsor is subject to all obligations and liabilities imposed on any Sponsor by law or by the Master Deed.

(ii) A successor to all such Special Sponsor Rights, other than a successor described in paragraphs (iii) or (iv) hereof who is not an affiliate of Sponsor, is subject to all obligations and liabilities imposed upon Sponsor by law or the Master Deed, but he is not subject to liability for misrepresentations or warranty obligations on improvements made by any previous Sponsor or made before the Condominium was created, or for a breach of fiduciary obligation by any previous Sponsor.

(iii) Successor to only a Special Sponsor Right to maintain models, sales offices and signs, if he is not an affiliate of Sponsor, may not exercise any other Special Sponsor Right, but is not subject to any liability or obligation as a Sponsor.

(iv) A successor to all Special Sponsor Rights who is not an affiliate of Sponsor and who succeeded to those rights pursuant to a deed in lieu of foreclosure or a judgment or instrument conveying title to Units under subparagraph (c) aforesaid, may declare his intention in a recorded instrument to hold those rights solely for transfer to another

party. Thereafter until transferring all such Special Sponsor Rights to any person acquiring title to any Unit owned by the successor, or until recording an instrument permitting exercise of all those rights, that successor may not exercise any of those rights other than right to control the Board for the duration of any period of Sponsor control, and any attempted exercise of those rights is void. So long as a successor Sponsor may not exercise special rights under this subparagraph, he is of subject to any liability or obligation as a Sponsor other than liability for the successor's acts and omissions under the Master Deed.

(f) Nothing in this paragraph subjects any successor to a Special Sponsor Right to any claims against or other obligations of a transferor other than claims and obligations arising under the Master Deed.

29. INVALIDITY. The invalidity of any provision of this Master Deed, the Certificate of Incorporation, or By-Laws of the Association shall not be deemed to impair or affect in any manner the validity, enforceability or effect the remainder of this Master Deed or said By-Laws and in such event all of the other provisions of this Master Deed and said By-Laws shall continue in full force as if such invalid provisions had never been included.

30. EXHIBITS. Attached hereto and made a part hereof are the following Exhibits:

- EXHIBIT "A" - Metes and bounds description
- EXHIBIT "B" - Site Plan of the Condominium
- EXHIBIT "C" - Architectural Drawing
- EXHIBIT "D" - Certificate of Incorporation of Trendmaker Homes
North Condominium Association, Inc.

EXHIBIT "E" - By-Laws of Trendmaker Homes North Condominium
Association, Inc.

EXHIBIT "F" - Unit Designation/Unit Type/Percentage Interest
Schedule

IN WITNESS WHEREOF, the Sponsor has caused this instrument to be
executed the day and year first above written, by its duly authorized President,
and the corporate seal affixed pursuant to a resolution duly adopted by its Board
of Directors.

(SEAL)

ATTEST:

CALTON HOMES, INC.

Alice M. Simpson
Assistant Secretary

By
Anthony J. Caldarone
President

STATE OF NEW JERSEY:

COUNTY OF MONMOUTH:

I certify that on _____, 19____,
Alice M. Simpson personally came before me, and this person acknowledged under
oath, to my satisfaction, that:

- (a) This person is the Assistant Secretary of CALTON HOMES, INC., the Corporation named in this document;
- (b) this person is the attesting witness to the signing of this document by the proper corporate officer who is Anthony J. Caldarone, the President of the corporation;
- (c) this document was signed and delivered by the corporation as its voluntary act duly authorized by a proper resolution of its Board of Directors;
- (d) this person knows the proper seal of the corporation which was affix to this document; and
- (e) this person signed this proof to attest to the truth of these facts.

Alice M. Simpson

Signed and sworn to before
me on _____, 19____

EXHIBIT A

Legal Description

VAN CLEEF ENGINEERING ASSOCIATES
BLOCK 424.08
LOT 14
August 2, 1985

DESCRIPTION OF PROPERTY
SITUATE IN FRANKLIN TOWNSHIP
SOMERSET COUNTY, NEW JERSEY

BEGINNING at a point on the Northeasterly sideline of New Brunswick Road (66' wide) said point being located North sixty-four degrees, thirteen minutes, twenty-two seconds West ($N-64^{\circ}-13'-22''-W$) a distance of twenty-five and zero hundredths feet (25.00') measured along said sideline from its intersection with the Northwesterly sideline of Hexham Drive (50' wide) if said sidelines were projected Southeasterly and Southwesterly, respectively, and from said point of beginning running; thence (1) along the Northeasterly sideline of New Brunswick Road, North sixty-four degrees, thirteen minutes, twenty-two seconds West ($N-64^{\circ}-13'-22''-W$) a distance of one hundred and zero hundredths feet (100.00') to a point of curve; thence (2) continuing along same in a Northwesterly direction on a curve to the right having a radius of one thousand seven hundred sixty-seven and zero hundredths feet (1,767.00') an arc length of two hundred eighty-three and eighty-four hundredths feet (283.84') to a point and Southeast corner of Lot 63 in Block 424.02, lands of Quail Brook Golf Course; thence (3) along the Easterly line of said lands, North twenty-nine degrees, fifty-five minutes, fifty-three seconds East ($N-29^{\circ}-55'-53''-E$) a distance of one thousand eighty and forty-two hundredths feet (1,080.42') to a point and common corner between Lots 14, 63 and 64; thence (4) along the Southerly line of Lot 64, South fifty-one degrees, fifty-seven minutes, forty-two seconds East ($S-51^{\circ}-57'-42''-E$) a distance of six hundred three and forty-three hundredths feet (603.43') to a point and corner on the Westerly line of Lot 39.01 in Block 424.02; thence (5) along said Westerly line, South thirty-eight degrees, two minutes, eighteen seconds West ($S-38^{\circ}-02'-18''-W$) a distance

VAN CLEEF ENGINEERING ASSOCIATES

BLOCK 424.08

LOT 14

August 2, 1985

Page 2

of two hundred twenty-five and twenty-two hundredths feet (225.22') to a point and Northwest corner of Lot 13, Block 424.08; thence (6) along the Westerly line of Lot 13, South twenty-four degrees, twenty-seven minutes, twenty-eight seconds West ($S-24^{\circ}-27'-28''-W$) a distance of two hundred forty and one hundredths feet (240.01') to a point and corner on the Northerly sideline of Hexham Drive; thence (7) along the aforementioned sideline, North seventy-nine degrees, twenty-one minutes, eight seconds West ($N-79^{\circ}-21'-08''-W$) a distance of twelve and eighty-three hundredths feet (12.83') to a point of curve; thence (8) continuing along same in a Westerly direction on a curve to the left having a radius of two hundred seventy-five and zero hundredths feet (275.00') and arc length of three hundred fifty-nine and thirty-five hundredths feet (359.35') to a point of tangency; thence (9) along the Northwesterly line of Hexham Drive, South twenty-five degrees, forty-six minutes, thirty-eight seconds West ($S-25^{\circ}-46'-38''-W$) a distance of one hundred eighty-five and thirty hundredths feet (185.30') to a point of curve; thence (10) in a Southwesterly then Northwesterly direction on a curve to the right having a radius of twenty-five and zero hundredths feet (25.00') an arc length of thirty-nine and twenty-seven hundredths feet (39.27') to the point and place of beginning.

Containing 11.6106 acres.

The above described lands being subject to any easements of record.

The above described being in accordance with a site plan and survey prepared for "Trendmaker Homes North at Quail Brook by Calton Homes A Condominium" situate in Franklin Township, Somerset County, New Jersey as prepared by Van Cleaf Engineering Associates on July 25, 1985.

EXHIBIT B

Site Plan

EXHIBIT C

Architectural Drawings

EXHIBIT D

Certificate of Incorporation of
Trendmaker Homes North Condominium Association, Inc.

Certificate of Incorporation

CERTIFICATE OF INCORPORATION

OF

TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.

DATED:

Prepared by: _____
ROBERT E. LINKIN, ESQ.

Record and Return to:

ROBERT E. LINKIN, ESQ.
100 Craig Road
Freehold, New Jersey 07728

In compliance with the requirements of Title 15A, Chapter 127, et seq. of the New Jersey Statutes Annotated, the undersigned, all of whom are of full age, have this day voluntarily associated themselves together for the purpose of forming a corporation not for profit, and do hereby certify:

ARTICLE I

The name of the corporaiton is "TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.", hereinafter called the "Association".

ARTICLE II

The principal office of the Association is located at 100 Craig Road, Freehold, New Jersey 07728.

ARTICLE III

Anthony J. Caldarone, whose address is 100 Craig Road, Freehold, New Jersey 07728, is hereby appointed the initial registered agent of this Association.

ARTICLE IV

Purpose and Powers of the Association

This Association does not contemplate pecuniary gain or profit to the members thereof, and the specific purposes for which it is formed are to provide for the maintenance, preservation and control of the Lots and Common Property as shown and described in Exhibits "A" and "B" of a certain Master Deed entitled "Trendmaker Homes North at Quailbrook by Calton Homes, A Condominium", recorded or intended to be recorded in the Office of the Clerk of Somerset County and to promote the health, safety and welfare of the residents within the above described property and for these purposes:

- (a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the aforesaid Declaration and By-Laws of the Association annexed to the Declaration as Exhibit "D" as they both may be amended from time to time as therein provided, said Declaration and By-Laws being incorporated herein as if set forth at length;
- (b) To fix, levy, collect and enforce payment by any lawful means, of all charges or assessments pursuant to the terms of said Declaration and By-Laws of the Association; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;
- (c) To acquire (by gift, purchase, or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;
- (d) To borrow money, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred; and

- (e) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Corporation Law of the State of New jersey by law may now or hereafter have or exercise.

ARTICLE V

Membership

Every person or entity who is a record owner of a fee interest in any Unit which is subject to the Master Deed aforesaid, is subject to assessment by the Association, and qualifies in accordance with the By-Laws, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Ownership of any such Unit shall be the sole qualification for membership. Upon termination of the interest of the Unit Owner, his membership shall automatically terminate and shall be transferred and shall inure to the new Unit Owner succeeding him in interest.

ARTICLE VI

Board of Directors

The affairs of this Association shall be managed by a Board of Directors. The initial Board of Directors shall be composed of three (3) persons who need not be members of the Association. The number of Directors may be changed pursuant to the By-Laws of the Association. The names and addresses of the persons who are to act in the capacity of Directors until the selec-

tion of their successors are:

Robert E. Linkin
3 Dana Circle
Edison, N.J.

Alice M. Simpson
143 Parker Road
West Long Branch, N.J.
ARTICLE VII

Arthur J. Gally
630 Hope Road
Lakewood, N.J.

Distribution of Assets

Upon dissolution, the assets of the Association shall be distributed on the same basis as the respective proportionate responsibility for Common Expenses of the members is determined.

ARTICLE VIII

Duration

The Association shall exist perpetually.

ARTICLE IX

Amendments

Amendment of this Certificate shall require the assent of seventy-five (75%) percent of the members of the Association. For so long as the Sponsor of Trendmaker Homes North Quailbrook by Calton Homes, A Condominium appoints a majority of the Association's Board of Directors, the approval of the Federal Housing Administration of the United States Department of Housing and Urban Development will also be required to amend this Certificate.

IN WITNESS WHEREOF, for the purpose of forming this nonprofit corporation under the laws of the State of New Jersey, the undersigned, the incorporator

of this Association, has executed this Certificate of Incorporation this
day of , 198 .

STATE OF NEW JERSEY:

SS:

COUNTY OF MONMOUTH:

BE IT REMEMBERED, that on this day of , 198
before me, the subscriber, a Notary Public of the State of New Jersey,
personally appeared , who I am satisfied is
the person named in and who executed the within Instrument, and thereupon she
acknowledged that she signed, sealed and delivered the same as her act and
deed, for the uses and purposes therein expressed.

A Notary Public of the State of
New Jersey

By-laws

**BY-LAWS
OF
TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.**

ADOPTED:

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FOR

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BY-LAWS
OF
TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.

ARTICLE I
NATURE OF BY-LAWS

SECTION 1. Purpose. These By-Laws are intended to govern the administration of Trendmaker Homes North Condominium Association, Inc., a non-profit corporation organized under Title 15A of the New Jersey Statutes Annotated, and provide for the management, administration, utilization and maintenance of the Common Elements described in the Master Deed for Trendmaker Homes North at Quailbrook by Calton Homes, a Condominium.

SECTION 2. Definitions. Unless the context clearly indicates otherwise, all definitions set forth in the aforesaid Master Deed or in N.J.S.A. 46:8B-3 are incorporated herein by reference.

SECTION 3. Fiscal Year. The fiscal year of the corporation shall be determined by the Board of Directors.

SECTION 4. Principal Office. The principal office of the corporation is located at 100 Craig Road, Freehold, New Jersey.

ARTICLE II
MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Members. Every person, firm, association, corporation or other legal entity who is a record Owner or Co-Owner of the fee simple title to any Unit shall be a Member of the Association; provided however, that any person, firm, association, corporation, or legal entity who holds such title or interest

merely as a security for the performance of an obligation (including but not limited to mortgagees or trustees under deeds of trust) shall not be a Member of the Association. Notwithstanding anything to the contrary in the preceding, the Sponsor has one membership in the Association for each Unit, completed or prospective, which has not been conveyed to an individual purchaser.

SECTION 2. Associate Members. Every person who is entitled to possession and occupancy of a Unit as a tenant or lessee of a Unit Owner may be an Associate Member of the Association, but shall not be entitled to any vote with respect to Association matters.

SECTION 3. Change of Membership. Change of membership shall be accomplished by recording in the Somerset County Clerk's Office a deed or other instrument establishing a record title to a Unit, and delivery to the Secretary of the Association of a certified copy of such instrument. The membership of the prior Unit Owner shall be thereby terminated.

SECTION 4. Rights of Membership. Every person who is entitled to membership in the Association, pursuant to the provisions of the Certificate of Incorporation and these By-Laws, shall be privileged to use and enjoy the General Common Elements, subject however to the right of the Association to:

- (a) Promulgate rules and regulations governing such use and enjoyment;
- (b) Suspend the use and enjoyment of the General Common Elements as provided in Section 5 of this Article II; and
- (c) Dedicate or transfer all or part of the General Common Elements, other than any Building in which any Units are contained, as provided in Section 1(n) of Article V hereof.

SECTION 5. Suspension of Rights. The membership and voting rights of any Member may be suspended by the Board for any period during which any assessment against the Unit to which his membership is appurtenant remains unpaid; but upon payment of such assessments, and any interest accrued thereon, whether by check or cash, his rights and privileges shall be immediately and automatically restored. Further, if rules and regulations governing the use of the Common Elements and the conduct of persons thereon have been adopted and published, as authorized in these By-Laws, the rights and privileges of any person in violation thereof may be suspended at the discretion of the Board for a period not to exceed thirty (30) days for any single violation, but if the violation is of a continuing nature, such rights and privileges may be suspended indefinitely until such time as the violation is abated. No such action shall be taken by the Board until the Unit Owner is afforded an opportunity for a hearing consistent with the principles of due process of law.

SECTION 6. Membership Fees. The Board shall impose upon each Unit Owner, upon acquisition of title to his Unit, a non-refundable fee for membership in the Association in an amount equal to one-sixth (1/6) of the current annual Maintenance Charge for his Unit, which fee may be used for working capital or any other lawful purpose. The payment of such fee shall be a condition precedent to membership in the Association. Any unpaid membership fee shall be deemed a lien on the Unit in the same manner as any unpaid Common Expenses attributable to such Unit.

SECTION 7. Votes. Each Unit Owner shall be entitled to one vote for each Unit to which he holds title as is provided in Paragraph 6 of the Master Deed. When more than one person holds title, the vote(s) for each Unit shall be exercised as the Co-Owners among themselves determine. When one or more Co-

Owners signs a proxy or purports to vote for his or her Co-Owners, such vote(s) shall be counted unless one or more of the other Co-Owners is present and objects to such vote(s); or, if not present, submits a proxy or objects in a writing delivered to the Secretary of the Association before the vote(s) is counted. If Co-Owners disagree as to the vote(s), the vote shall be split equally among the Co-Owners.

SECTION 8. Proxies. Proxy ballots shall be permitted with respect to ~~all elections of Directors, and all amendments to the Certificate of Incorporation, the Master Deed or these By-Laws, or any other matter which properly comes~~ before a meeting of the membership of the Association. All proxies shall be in writing, signed by all individual Unit Owners (or in the case of joint owners by any one of them), or by his or their duly authorized representative(s) and delivered to the Secretary of the Association, or such other person as the President may designate, at least 24 hours prior to the commencement of the meeting at which ballots are to be cast. Proxies may be revoked at any time prior to the opening of the polls, and no proxy shall be voted on after eleven (11) months from its date unless said proxy provides for a longer period, not to exceed three (3) years from the date of execution. All proxies shall be substantially in the form prescribed by the Board, and if not in such form, shall be deemed invalid which determination shall be made in the sole and absolute discretion of the Board.

ARTICLE III

MEETINGS OF UNIT OWNERS

SECTION 1. Place of Meetings. All meetings of the Unit Owners of the Association shall be held at the Condominium or at such other place convenient to the Members as may be designated by the Board.

SECTION 2. First Annual Meeting and Regular Annual Meeting. All annual meetings of the Unit Owners of the Association shall be held on the day and month of the year to be established by the Board, except that the first such annual meeting shall be held not more than sixty (60) days after Unit Owners other than the Sponsor own thirty (30) or more Units or on such earlier date as the Sponsor, in its sole discretion, may elect. At the first annual meeting and each subsequent annual meeting the election of Directors shall take place. If the election of Directors shall not be held at the annual meeting or any adjournment of such meeting, the Board shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting the Unit Owners may elect the Directors and transact other business with the same force and effect as at an annual meeting duly called and held. All proxies validly received for the originally scheduled meeting shall remain in full force and effect for any such Adjourned meeting or special meeting and new proxies may be received for any such subsequent meeting.

SECTION 3. Special Meetings. After the first annual or special meeting, special meetings of unit Owners may be called by the President whenever he deems such a meeting advisable, or shall be called by the Secretary when so ordered by the Board, or upon the written request of Members representing not less than twenty-five (25%) percent of all the votes entitled to be cast at such meeting. Such request shall state the purpose(s) of such meeting and the matter(s) proposed to be acted upon. Unless Unit Owners representing at least fifty (50%) percent of all votes entitled to be cast request such a meeting, no special meeting may be called to consider any matter which is substantially the same as a

matter voted upon at any meeting of the unit Owners held during the preceding twelve (12) months, which determination shall be made in the sole and absolute discretion of the Board.

SECTION 4. Notice of Meeting. Except as otherwise provided by law, notice of each meeting of Unit Owners, whether annual or special, shall be given not less than ten (10) days, nor more than ninety (90) days before the day on which the meeting is to be held, to each Unit Owner at his last known address, by delivering a written or printed notice thereof to said Unit Owner, or by mailing such notice, postage prepaid. Every such notice shall state the time and place of the meeting and shall state briefly the purpose(s) thereof. Notice of any meeting of Unit Owners shall not be required to have been sent to any Unit Owners who shall attend such meeting in person or by proxy. Notice of any adjourned meeting of the Unit Owners shall not be required to be given except when expressly required by law. Except where otherwise expressly required by law, no publication of any notice of a meeting of Unit Owners shall be required.

SECTION 5. Quorum and Adjourned Meetings. At such meeting of the Unit Owners, persons (including Sponsor or its representatives) holding twenty (20%) percent of the authorized votes present in person or by proxy, shall constitute a quorum for the transaction of business except where otherwise provided by law. In the absence of a quorum, the persons holding votes present in person or by proxy and entitled to vote, by majority vote, may, by majority vote, adjourn the meeting from time to time, until a quorum shall be present or represented. At such adjourned meeting at which a quorum may be present any business may be transacted which might have been transacted at the meeting originally called.

SECTION 6. Organization. At each meeting of the Association, the President, or, in his absence, the Vice President, or in the absence of both of them, a person chosen by a majority vote of the Unit Owners present in person or represented by proxy and entitled to vote thereat, shall act as a chairperson, and the Secretary, or in his absence, a person whom the chairperson shall appoint, shall act as Secretary of the Meeting.

SECTION 7. Voting. Except as otherwise required by the Certificate of Incorporation, the Master Deed or any law, a quorum being present, a majority of votes present, in person or by proxy, shall be sufficient on those matters which are to be voted on by the Unit Owners. The election of Directors shall be by ballot. Unless determined by a majority of the votes of the Unit Owners present at such meeting, in person or by proxy, or determined by the chairperson of the meeting to be advisable, the vote on any other question need not be by ballot.

SECTION 8. Member in Good Standing. A member shall be deemed to be in good standing and entitled to vote at any annual meeting or at any special meeting of the Association if, and only if, he shall have fully paid all installments due for assessments made or levied against him and his Unit by the Directors as hereinafter provided, together with all interest, costs, attorney's fees, penalties and other expenses, if any properly chargeable to him and to his Unit, at least three (3) days prior to the date fixed for such meeting.

SECTION 9. Judges. If at any meeting of the Unit Owners a vote by ballot shall be taken on any question, the chairperson of such meeting shall appoint two Judges to act thereat with respect to such vote. Each Judge so appointed shall first subscribe an oath faithfully to execute the duties of a Judge at such meeting with strict impartiality and according to the best of his ability. Such Judges shall decide upon the qualifications of voters and shall

report the number of votes represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and when the voting is completed, shall ascertain and report the number of votes respectively for and against the questions; but as to the election of Directors, the number of votes received by each candidate need not be reported. Reports of Judges shall be in writing and subscribed and delivered by them to the Secretary of the meeting. The Judges need not be members of the Association, and any officer or Director of the Association may be a Judge on any question, other than a vote for or against his election to any position with the Association or any other question in which he may be directly interested. The Judges shall rule by majority vote.

SECTION 10. Order of Business. The order of business at the annual meeting of the Unit Owners or at any special meetings insofar as practicable shall be:

- (a) Calling of the roll and certifying the proxies.
- (b) Proof of notice of meeting and waiver of notice.
- (c) Reading and disposal of any unapproved minutes.
- (d) Appointment of Judges of Election, if appropriate.
- (e) Election of Directors, if appropriate.
- (f) Receiving reports of officers.
- (g) Receiving reports of committees.
- (h) Old business.
- (i) New business.
- (j) Adjournment.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. Express and Implied Powers and Duties. The property, affairs and business of the Association shall be managed by the Board of Directors, which shall have all those powers granted to it by the Certificate of Incorporation, the Master Deed, these By-Laws, and by law.

SECTION 2. Number and Qualifications.

(a) Until the first annual meeting of the membership of the Association, and thereafter until their successors shall have been elected and qualified, the Board shall consist of three (3) persons designated by the Sponsor, none of whom need be Unit Owners.

Thereafter, the Board shall consist of five (5) Directors (hereinafter referred to as Directors A, B, C, D and E). Within thirty (30) days after the Unit Owners other than Sponsor own thirty (30) or more Units, the President shall call and give not less than twenty (20) nor more than thirty (30) days notice of a special meeting of the membership of the Association. At such special meeting, Unit Owners other than Sponsor shall be entitled to vote for and elect Directors A and B and Sponsor shall have the right to appoint the Directors C, D and E.

Thereafter, and within thirty (30) days after Unit Owners other than Sponsor own ninety (90) of the Units, the President shall call and give not less than twenty (20) nor more than thirty (30) days notice of a special meeting of the membership of the Association. At such special meeting Unit Owners other than Sponsor shall be entitled to vote for all of the Directors of the Board not

theretofore elected by them, except that Sponsor shall be entitled to appoint Director E so long as Sponsor owns one or more Units and holds same for sale in the ordinary course of business.

(b) In the case of partnership powers, Directors shall be members, agents or employees of such partnership or of the partners thereof; or, in the case of corporate owners (including the Sponsor, during such time as Sponsor shall be an Owner of any Units), Directors shall be officers, stockholders, employees or agents of such corporation; or, in the case of fiduciary owners, Directors shall be fiduciaries or officers or employees of such fiduciaries; provided, however, that at least one of the Directors of the Board shall be a resident of the State of New Jersey.

Section 3. Election and Term of Office. At the first annual meeting of the membership that is called after Unit Owners other than the Sponsor own thirty (30) or more Units, Directors A and B shall be elected by the Unit Owners other than the Sponsor, and Sponsor shall appoint Directors C, D and E. Directors A and B shall be elected for two (2) year terms and Directors C, D and E shall be appointed to serve until their successors are elected at the special meeting held after ninety (90) Units are owned by Unit Owners other than Sponsor. At said special meeting, Directors C, D and E shall be elected by Unit Owners other than Sponsor (subject, however to Sponsor's right to appoint Director E as provided for in Section 2, above) to serve for an initial term which expires at the annual meeting of the membership at which Directors A and B are not scheduled for re-election, but in no event shall such initial term be less than two (2) years nor more than three (3) years. Thereafter, the term for Directors, C, D and E shall be for two (2) years; it being the purpose and intent hereof that Directors A and B shall be elected in alternate years to Directors C, D and E.

The Directors shall hold office until their respective successors have been duly elected and qualified, or until removed in the manner elsewhere provided. If at any meeting for election of membership to the Board more than twice the number of candidates to be elected at such meeting are nominated, then, and in such event, there shall be two ballots for membership. At the end of the first ballot, the field of nominees shall be reduced so that there are twice as many candidates as there are positions to be filled, with the persons receiving the fewest votes being eliminated from the ensuing ballot. A second ballot shall be held, and on the second ballot, the persons receiving the most votes will be deemed to be elected in order to fill the vacant positions. If there are not more than twice the number of nominees for the number of positions to be filled, then there shall be one ballot, with the persons receiving the most votes being elected in order to fill the vacancies on the Board. If ever applicable, candidates polling the highest votes will be considered elected for the longest period of years. Election of Directors at successive annual meeting shall be in accordance with this Section 3.

SECTION 4. Sponsor's Protective Provisions. After control of the Board of Directors has become vested in Directors elected by Unit Owners other than the Sponsor, and so long as the Sponsor owns at least one (1) Unit and holds same for sale in the ordinary course of business, the following shall apply:

- (a) Neither the Association nor its Board of Directors shall take any action that will impair or adversely affect the rights of the Sponsor or cause the Sponsor to suffer any financial, legal or other detriment, including but not limited to any direct or indirect interference with the sale of the Units, or the assessment of the Sponsor for capital improvements.

- (b) The Association and its Board of Directors shall continue the same level of maintenance, operation and services as provided immediately prior to the assumption of control of the Association and the Board of Directors by Unit Owners other than the Sponsor.
- (c) In furtherance of the foregoing provisions, the Sponsor shall have the right to veto any and all actions of the Association or the Board which may have any direct or indirect detrimental import upon the Sponsor as may be determined by the sole reasonable discretion of the Sponsor.
- (d) The Sponsor shall exercise its veto right, in its sole and absolute discretion, within ten (10) days after its receipt of notice that a resolution or other action is proposed or has been taken by the Association or its Board. In such event, the Sponsor shall notify the Secretary of the Association of its exercise of its veto right and any such proposal or action shall be deemed null and void and of no further force and effect.

The aforementioned protective provisions shall be construed in accordance with and not in derogation of N.J.S.A. 46:8B-12.1 of the New Jersey Condominium Act and N.J.A.C. 5:26-8.4 of the regulations promulgated pursuant to the New Jersey Planned Real Estate Development Full Disclosure Act, N.J.S.A. 45:22A-1 et seq.

SECTION 5. Removal of Members of the Board. At any duly held regular or special meeting of the Unit Owners, any one or more Directors may be removed with or without cause by a majority of the Unit Owner votes present, and a successor may then and there be appointed by a majority of the remaining Directors to fill the vacancy thus created. Each person so appointed shall be a Director for the remainder of the term of the Director whose term he is filling and until his successor is duly elected and qualified. Any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting. This provision shall not apply to any Director appointed by the Sponsor. Notwithstanding the foregoing, the Sponsor or Sponsor-appointed Director may not, acting alone, remove a Unit Owner-elected Director. In the event that all of the Directors are removed, successors shall be elected by the Unit Owners other than the Sponsor in the manner set forth in Article IV, Section 3 herein to fill the vacancies thus created.

SECTION 6. Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director by a Vote of the Unit Owners of the Association shall be filled by a vote of a majority of the remaining Directors, including the Sponsor's appointees, at a special meeting of the Board held for that purpose promptly after the occurrence of any such vacancy. Each person so elected shall be a Director for the remainder of the term of the Director whose term he is filling and until his successor shall have been duly elected and qualified. Notwithstanding the foregoing, until the first annual meeting of Unit Owners, Sponsor shall have the right to fill all vacancies on the Board by appointment. Until Owner-elected vacancies on the Board shall only be filled with Unit Owners other than the Sponsor, whether same be appointed or elected.

SECTION 7. Meeting of the Board; Notices; Waiver of Notice. The first annual meeting of the Board shall be held within ten (10) days after the first annual meeting of the Unit Owners and at such time and place as shall be fixed by a majority of the Board and no notice shall be necessary. Thereafter, regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Board, but at least two meetings shall be held each year. Notice of regular meetings of the Board shall be given to each Director by telephone, mail, or telegram at least three (3) days prior to the day of the meeting. Special meetings of the Board may be called by the President on three (3) days notice to each Director given by telephone, mail or telegram, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or the Secretary in like manner and on like notice on the written request of at least three (3) Directors. Any Director may, at any time, waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. In the discretion of the Board, meetings of the Board or portions thereof, may be open to members of the Association or other persons for observation or participation in such manner and to the extent as the Board may deem appropriate.

SECTION 8. Quorum and Adjourned Meetings. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business and the votes of a majority of the Directors present and voting at a meeting at which a quorum is present shall constitute a valid decision. If at

any meeting of the Board there shall be less than a quorum present, the majority of those present shall adjourn the meeting to a new date. At any such adjourned meeting at which a quorum is present, any business which may have been transacted at the original meeting may be transacted without further notice. The vote of a majority of those present at a Board meeting at which a quorum is present shall be necessary for valid action by the Board on any matter.

For so long as the Sponsor appoints a majority of the Board of Directors, it shall not cause the Association to make any additions, alterations, improvements or purchases which would necessitate a special assessment or a substantial increase in the monthly assessment as was required by a governmental agency, title insurance company, mortgage lender or in the event of an emergency.

SECTION 9. Joinder in Meetings by Approval of Minutes. The transaction of any business at any meeting of the Board, however called and noticed, or where ever held, shall be valid as though a meeting duly held after regular call and notice, if a quorum is present; and if either before or after the meeting, each Director signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the minutes thereof or of the resolution or act adopted at such meeting. All such waiver, consents or approval, shall be in writing and filed with the Secretary and made a part of the minutes of the meeting even though filed subsequent thereto.

SECTION 10. Non-Waiver. All the rights, duties and privileges of the Board shall be deemed to be continuing and shall not be exhausted by any single act or series of acts. To the same extent, the failure to use or employ any remedy or right hereunder or hereafter granted shall not preclude its exercise in the future nor shall any custom bind the Board.

SECTION 11. Consent in Lieu of Meeting and Vote. Anything to the contrary in these By-Laws, the Certificate of Incorporation or the Master Deed notwithstanding, the entire Board of Directors shall have the power to take action on any matter on which it is authorized to act, without the necessity of a formal meeting and vote if the entire Board, or all the Directors empowered to act, whichever the case may be, shall consent in writing to such action.

ARTICLE V

POWERS AND DUTIES OF BOARD OF DIRECTORS

SECTION 1. General Powers and Privileges. The Board shall have these powers, which include but which are not necessarily limited to the following, together with such other powers as may be provided herein or in the Master Deed, or By-Laws, or which may be necessarily implied.

- (a) Employ, by contract or otherwise, a manager, managing agent or an independent contractor, to oversee, supervise and carry out the responsibilities of the Board. Said manager or said independent contractor shall be compensated upon such terms as the Board deems necessary and proper; and
- (b) To employ any person, firm or corporation to repair, maintain or renovate the Common Elements of the Condominium; lay pipes or culverts; to bury utilities; to put up lights or poles; to erect signs and traffic and safety controls of various sorts on said Property; and
- (c) Employ professional counsel and to obtain advice from persons, firms or corporations such as, but not limited to, landscape architects, architects, engineers, lawyers and accountants; and

- (d) To employ or contract for water and sewer, electricity and gas or other forms of utilities, cable or master antenna television; and
- (e) To employ all managerial personnel necessary, or enter into a managerial contract for the efficient discharge of the duties of the Board hereunder; and
- (f) To adopt, amend, and publish rules and regulations covering the details of the operation and use of the Common Elements including but not limited to pet controls; and
- (g) Secure full performance by Unit Owners or occupants of all items of maintenance for which they are responsible; and
- (h) Set minimum standards for floor coverings installed by all Unit Owners in Buildings, with the exception of Sponsor; and
- (i) Coordinate the plans of Unit Owners and occupants of Units for moving their personal effects or property into the Unit or out of it, with a view toward scheduling such movements so that there shall be a minimum of inconvenience to others; and
- (j) Establish and enforce rules and regulations for parking by, and the assignment of parking spaces to Unit Owners, subject to the provisions of the Master Deed, Certificate of Incorporation and these By-Laws; and
- (k) Arrange for security protection as necessary; and
- (l) Enforce obligations of the Unit Owners and do anything and everything else necessary and proper for the sound management of the Condominium, including the right to bring or defend lawsuits to enforce the terms, conditions and restrictions contained in the Master Deed, these By-Laws, or any rules and regulations; and

- (m) Borrow and repay monies giving notices, mortgages or other security upon such term or terms as it deems necessary; and
- (n) Invest and reinvest monies, sue and be sued, collect interest, dividends, and capital gains; exercise rights; pay taxes; make and enter into contracts; enter into leases or concessions; make and execute any and all proper affidavits for various purposes; compromise any action without leave of court; and all other powers contained herein, and those necessary and incidental thereto; and
- (o) Grant and obtain easements, licenses and other property rights with respect to contiguous lands; and
- (p) Purchase or lease or otherwise acquire in the name of the Association or its designees, corporate or otherwise, on behalf of all Unit Owners within the Condominium, Units offered for sale or lease or surrendered by their Owners to the Board provided that the foregoing shall not be construed to constitute a right of first refusal; and
- (q) Purchase Units within the Condominium at foreclosure or other judicial sales in the name of the Association or its designees, corporate or otherwise, on behalf of all Unit Owners; and
- (r) Sell, lease, mortgage (but not vote the votes appurtenant thereto) or otherwise deal with Units acquired by the Association, and sublease any such Units leased by the Association or its designees, on behalf of all Unit Owners; and

- (s) Bring and defend actions by or against more than one Unit Owner which are pertinent to the operation of the Condominium, the health, safety or general welfare of the Unit Owners, or any other legal action to which the Unit Owners may consent in accordance with these By-Laws; and
- (t) Appoint an Insurance Trustee, who shall not be a member of the Association, an employee of the Sponsor, or the manager, who shall discharge his duties in accordance with these By-Laws. In the absence of such an appointment, the Board shall be responsible for the disposition of all insurance proceeds; and
- (u) Create, appoint members to and disband such committees as shall from time to time be deemed appropriate or necessary to aid the Board in the discharge of its duties, functions and powers.

SECTION 2. Duties and Responsibilities. It shall be the affirmative and perpetual obligation and duty of the Board to perform the following:

- (a) Cause the General and Limited Common Elements to be maintained according to accepted standards and as set forth in the Master Deed, including, but not limited to such maintenance, painting, replacement and repair work as may be necessary, lawn maintenance and clearing of snow from roadways as the Board may deem appropriate. All repairs and replacements shall be substantially similar to the original application and installation and shall be of first class quality; and
- (b) To investigate, hire, pay, supervise and discharge the personnel necessary to be employed, and provide the equipment and materials necessary, in order to properly maintain and operate the Common

Elements. Compensation for the services of such employees (as evidenced by certified payroll) shall be considered an operating expense of the Association; and

- (c) Cause to be kept a complete record of all its acts and corporate affairs and to present a summary report thereof to the members at the annual meeting or at any special meeting when requested in writing at least twenty-one (21) days in advance of members entitled to cast at least twenty-five (25%) percent of the total votes of the Association; and

- (d) Allocate common surplus or make repairs, additions, improvements to, or restoration of the Common Elements in accordance with the provisions of these By-Laws and the Master Deed after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings; and

- (e) Take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises maintained by the Association placed thereon by any federal, state, county or municipal authority having jurisdiction thereover, and order of the Board of Fire Underwriters or other similar bodies; and

- (f) Place and keep in force all insurance coverages required to be maintained by the Association, applicable to its property and members including, but not limited to:

- (i) Physical Damage Insurance. Broad form insurance against loss by fire and against loss by lightning, windstorm and other risks normally included within all risk extended coverage, including vandalism and malicious mischief, insuring all im-

provements existing on the Property, together with all service machinery appurtenant thereto, and covering the interest of the Association, the Board, the Sponsor, and all Unit Owners and Eligible Mortgage Holders as their respective interest may appear, in an amount equal to the full replacement value of such improvements (exclusive of foundations and footings),

~~without deduction for depreciation. Each policy shall contain~~
a standard mortgagee clause in favor of each Eligible Mortgage

Holder, which shall provide that the loss, if any, thereunder, shall be payable to each Eligible Mortgage Holder as its interest may appear, subject to the loss payment provisions set forth in paragraph 16 of the Master Deed. Prior to obtaining any policy of fire insurance or any renewal thereof, the Board shall obtain a qualified appraisal of the full replacement value of the Units and Common Elements and the improvements located thereon, without deduction for depreciation, for the purposes of determining the amount of fire insurance to be effected pursuant to this subparagraph. The amount of any deductible and the responsibility for payment of same shall be determined by the Board, in its sole discretion.

- (ii) Public Liability Insurance. To the extent obtainable, public liability insurance for personal injury and death from accidents occurring within the Common Elements, (and any other areas which the Board may deem advisable) and the defense of any actions brought by injury or death of a person or damage to property, occurring within such Common Elements, and not

arising by reason of any act or negligence of any individual Unit Owner. Said insurance shall be in such limits as the Board may, from time to time, determine, covering each Member of the Board, the managing agent, the manager, and each Member, and shall also cover cross liability claims of one insured against another. Until the first meeting of the Board following the first annual meeting, such public liability insurance shall be in a single limit of \$1,000,000 covering all claims for personal injury or property damage arising out of any one occurrence. The Board shall review such limits once a year.

- (iii) Directors and Officers Liability Insurance. Liability insurance indemnifying the Directors and Officers of the Association against the liability for errors and omissions occurring in connection with the performance of their duties, with any deductible amount to be in the sole discretion of the Board.
- (iv) Workers Compensation Insurance. Workers compensation and New Jersey disability benefits insurance as required by law.
- (v) Other Insurance. Such other insurance as the Board may determine.

All policies shall: (i) provide that adjustment of loss shall be made by the Board of Directors with the approval of the Insurance Trustee, if any, and that the net proceeds thereof, if \$5,000.00 or less shall be payable to the Board, and if more than \$5,000.00 shall be payable to the Insurance Trustee if any; (ii) require that the proceeds of physical damage insurance be applied to the restoration

of such Common Elements and structural portions and service machinery as is required by the Master Deed and these By-Laws; (iii) to the extent obtainable contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured; and (iv) provide that such policies may not be cancelled without at least thirty (30) days prior written notice to all of the named insureds, including all Unit Owners and Eligible Mortgage Holders.

Any insurance maintained by the Board may provide for such deductible amount as the Board may determine.

Unit Owners shall not be prohibited from carrying insurance for their own benefit provided that all such policies shall contain waivers of subrogation; and, further provided that the liability of the carriers issuing insurance obtained by the Board shall not be affected or diminished by reason of any such additional insurance carried by any Unit Owner.

The premium for all insurance and fidelity bonds carried by the Association shall be a Common Expense and shall be borne by the unit Owners in direct proportion to their respective percentage of interests.

- (g) To manage the fiscal affairs of the Association as hereinafter provided in Article VI.
- (h) To establish a Covenants Committee as hereinafter provided in Article IX.

ARTICLE VI

FISCAL MANAGEMENT

SECTION 1. Common Receipts. The Board shall have the duty to collect from each Unit Owner, his, her, or their heirs, administrators, successors and assigns, as "Common Receipts", the proportionate part of the Common Expenses assessed against such Unit Owner as provided in the Master Deed, the Certificate of Incorporation, these By-Laws, and in accordance with applicable law.

SECTION 2. Determination of Common Expenses. The amount of monies for Common Expenses deemed necessary by the Board and the manner of expenditure thereof, including but not limited to, the allocation thereof, shall be a matter for the sole discretion of the Board.

SECTION 3. Disbursements. The Board shall take and hold the funds as collected and shall disburse the same for the purposes and in the manner set forth herein and as required by the Master Deed, Certificate of Incorporation, and applicable law.

SECTION 4. Depositories. The depository of the Association shall be such a bank or banks as shall be designated from time to time by the Board and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such parties as are authorized by the Board, provided that a management agreement may include among its provisions authority for the manager to sign checks on behalf of the Association for payment of the obligations of the Association, if the proper fidelity bond is furnished to the Association.

SECTION 5. Accounts. The receipts and expenditures of the Association shall be common charges and Common Expenses respectively, and shall be credited and charged to accounts under the following classifications as the Board shall deem appropriate, all of which expenditures shall be Common Expenses:

- (a) Current expenses, which shall include expenditures within the year for which the budget is made, including reasonable allowances for contingencies and working funds. Current expenses shall not include expenditures chargeable to reserves. At the end of each year, the unexpended amount remaining in this account shall be applied to reduce the assessments for current expenses for the succeeding year, or may be distributed to the current membership in the same manner as assessed, as the Board shall determine.
- (b) Reserve for deferred maintenance, which shall include funds for maintenance items that occur less frequently than annually.
- (c) Reserve for replacement, which shall include funds for repair or replacement of the Common Property and those portions of the improvements located on the Property which the Association is obligated to maintain or repair which is required because of damage, depreciation or obsolescence. The amounts in this account shall be allocated among each of the separate categories of replacement items.

- (d) Reserves for capital improvements, which shall include the funds to be used for capital expenditures or for acquisition of additional personal property that will be part of the Common Property.
- (e) Operations, which shall include all funds from the use of the Common Elements or from any other sources. Only the additional direct expense required by any revenue producing operation will be charged to this account, and any surplus from any operation or otherwise shall be used to reduce the assessments for current expenses for the succeeding year, or at the discretion of the Board, distributed to the current membership in the same manner as assessed. Losses from operations or otherwise shall be met by special assessments against Unit Owners, which assessments may be made in advance in order to provide a working fund.

The Board shall not be required to physically segregate the funds held in the above accounts except for reserves for replacement and repair, which funds must be maintained in a separate account. The Board may, in its sole discretion, maintain the remaining funds in one or more consolidated accounts. As to each consolidated account, the division into the various accounts set forth above need be made only on the Association's records.

SECTION 6. Reserves. The Board shall not be obligated to expend all of the revenues collected in any accounting period, and must maintain reasonable reserves for, among other things, repairs, replacements, emergencies, contin-

gencies of bad weather or uncollected accounts. Notwithstanding anything herein to the contrary, the Board in its determination of the Common Expenses and the preparation of a budget shall specifically designate and identify that portion of the Common Expenses which is to be assessed against the Unit Owners as a capital contribution and is allocable to reserves for each separate item of capital improvement of and to said Property. The amounts assessed and collected for the reserves shall be kept in one or more interest-bearing savings accounts, or certificates of deposit and shall not be utilized for any purpose other than that which was contemplated at the time of the assessment. The foregoing shall not be construed to mean that the Board shall not be permitted to additional cash on hand, in a checking or petty cash account, for the necessary discharge of its functions.

SECTION 7. Exemption from Assessments for Capital Improvements.

Anything to the contrary herein notwithstanding, neither Sponsor nor any Eligible Mortgage Holder for any Unit shall be required to pay any assessment for capital improvements, whether by way of regular or special assessments or otherwise. Further, this provision may not be amended without the written consent of the Sponsor and that of every Eligible Mortgage Holder.

SECTION 8. Notice. The Board shall give notice to each Unit Owner, in writing, and to any Eligible Mortgage Holder who requests same, of the amount estimated by the Board for Common Expenses for the management and operation of the Association for the next ensuing budget period, directed to the Unit Owner at his last known address by ordinary mail, or by hand delivery. said notice shall be conclusively presumed to have been delivered five (5) days after deposit in the United States mails. If an annual Common Expense assessment is not made as required, an assessment shall be presumed to have been made in the amount of the

last prior year's assessment, increased by ten (10%) percent; and monthly installments on such assessment shall be due upon each installment payment date until changed by an amended assessment. In the event the annual Common Expense assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board, provided that nothing herein shall serve to prohibit or prevent the Board from imposing a lump sum assessment in the case of any immediate need or emergency which cannot be met by reserve funds allocated for such contingency.

SECTION 9. Acceleration of Assessment Installment Upon Default. If a Unit Owner shall be in default in the payment of an installment upon a Common Expense assessment, the Board may accelerate the remaining installments of the assessment and file a lien for such accelerated amount upon notice to the Unit Owner, and if the delinquent installment has not been theretofore paid, the then unpaid balance of the Common Expense assessment shall become due upon the date stated in the notice, which date shall not be less than five (5) days after delivery of the notice to the Unit Owner, or not less than ten (10) days after the mailing of such notice to him by registered or certified mail, whichever shall first occur. If no such notice is given and default shall continue for a period of thirty (30) days then the Board shall be required to accelerate the remaining installments of the assessment upon similar notice to the Unit Owner, and to file a lien for such accelerated assessment as permitted by law if the delinquent assessment has not been heretofore paid. In such latter event, the Board may also notify any Eligible Mortgage Holder holding a mortgage which encumbers the Unit affected by such default or publish appropriate notice of such delinquency to the membership of the Association. If said default continues for

a period of 90 days then the Board shall foreclose the foregoing lien pursuant to law and/or commence a suit against the appropriate parties to collect said assessment.

SECTION 10. Interest and Counsel Fees. The Board at its option shall have the right in connection with the collection of any Common Expense assessment, or other charge, to impose a late charge of any reasonable amount and/or interest at the legal maximum rate permitted by law for the payment of delinquent real estate taxes, if such payment is made after a date certain stated in such notice. In the event the the Board shall effectuate collection of said assessments or charges by resort to counsel, and/or the filing of a lien, the Board may add to the aforesaid assessments or charges a sum or sums of twenty (20%) percent of the gross amount due as counsel fees, plus the reasonable costs for preparation, filing and discharge of the lien, in addition to such other costs as may be allowable by law.

(a) In the case of any action or proceeding brought or defended by the Association or the Board pursuant to the provisions of these By-Laws, the reasonable costs and expenses of preparation and litigation, including attorneys fees, shall be a Common Expense allocated to all Unit Owners.

(b) Money judgments recovered by the Association in any action or proceeding brought hereunder, including costs, penalties or damages shall be deemed a special fund to be applied to (1) the payment of unpaid litigation expenses; (2) refunding to the Unit Owners the cost and expenses of litigation advanced by them; (3) Common Charges, if the recovery thereof was the purpose of the litigation; (4) repair or reconstruction of the

Common Elements if recovery of damages to same was the motivation for the litigation; and (5) any amount not applied to (1), (2), (3) and (4) above shall be at the discretion of the Board treated either as (i) a common surplus which shall be allocated and distributed pursuant to the provisions of paragraph 6 of the Master Deed or (ii) a set off against the common charges generally. Notwithstanding the foregoing, if a Unit Owner(s), the Board or any other person or legal entity affected by any such distribution, shall assert that the damages sustained or the diminution in value suffered by a Unit Owner(s) was disproportionate to his or their percentage of common interest, in that event the matter shall be submitted to binding arbitration to be decided in accordance with the procedures set forth in Article XV hereof.

- (c) All Common Charges received and to be received by the Board, for the purpose of paying any judgment obtained against the Association or the Board and the right to receive such funds, shall constitute trust funds and the same shall be expended first for such purpose before expending any part of the same for any other purpose.
- (d) In the event that a Unit Owner(s) succeed in obtaining a judgment or order against the Association or the Board, then in addition to any other sums to which said Owner(s) would otherwise be entitled by such judgment or order, he or they

shall also be entitled to the restitution or recovery of any sums paid to the Board as common charges for litigation expenses in relation to said action or proceeding.

SECTION 11. Power of Attorney to Eligible Mortgage Holder. In the event the Board shall not cause the enforcement procedures provided in Section 9 above to be implemented within the time provided, any Eligible Mortgage Holder for any Unit as to which there shall be such unpaid Common Expense assessments is hereby irrevocably granted a power of attorney to commence such actions and to invoke such other remedies, all in the name of the Association. This power of attorney is expressly stipulated to be coupled with an interest in the subject matter.

SECTION 12. Annual Audit. The Board shall submit the books, records, and memoranda of the Association to an annual audit by an independent certified public accountant who shall audit the same and render a report thereon in writing to the Board and in summary form to the Unit Owners and such Eligible Mortgage Holders or other persons, firms or corporations as may be entitled to same.

SECTION 13. Examination of Books. Each Unit Owner shall be permitted to examine the books of account of the Board by appointment at a reasonable time on business days; provided, however, that the Treasurer has been given at least 10 days prior written notice of the Unit Owner's desire to make such an examination.

SECTION 14. Fidelity Bonds. Fidelity Bonds shall be required by the Board from all persons handling or responsible for Association funds. The amount of such bonds shall be determined by the Board. The premiums on such bonds shall be paid by the Association.

ARTICLE VII

OFFICERS

SECTION 1. Designation. The principal officers of the Association shall be a President, a Vice-President, both of whom shall be members of the Board, a Secretary and a Treasurer. The Board may also appoint such other Assistant Treasurers and Assistant Secretaries as in its judgment may be necessary. Any two (2) offices, except that of President and Vice-President, may be held by one person.

SECTION 2. Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board of Directors meeting following each annual meeting and such offices shall hold office at the pleasure of the Board.

SECTION 3. Removal of Officers. Upon an affirmative vote of a majority of the full number of Directors, any officer may be removed, either with or without cause, after opportunity for a hearing, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

SECTION 4. Duties and Responsibilities of Officers.

- (a) The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the office of President of an Association.

(b) The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board shall appoint some other Director to so do on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board.

(c) The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the members of the Association; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of the Secretary.

(d) The Treasurer shall have the responsibility for the custody of the Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the Association in such depositories as may from time to time be authorized by the Board.

SECTION 5. Other Duties and Powers. The Officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board.

SECTION 6. Eligibility of Directors. Nothing herein contained shall prohibit a Director from being an Officer.

ARTICLE VIII

COMPENSATION, INDEMNIFICATION AND EXCULPABILITY OF OFFICERS, DIRECTORS, AND COMMITTEE MEMBERS

SECTION 1. Compensation. No compensation shall be paid to the President or the Vice-President or any Director, or Committee Member for acting as such Officer or Director. The Secretary and/or Treasurer may be compensated for their services if the Board determines that such compensation is appropriate. Nothing herein stated shall prevent any Officer or Director, or Committee Member from being reimbursed for out-of-pocket expenses or compensated for services rendered in any other capacity to or for the Association, provided, however, that any such expenses incurred or services rendered shall have been authorized in advance by the Board.

SECTION 2. Indemnification. Each Director, Officer or Committee Member of the Association, shall be indemnified by the Association against the actual amount of net loss including counsel fees, reasonably incurred by or imposed upon him in connection with any action, suit or proceeding to which he may be a party by reason of his being or having been a Director, Officer, or Committee Member of the Association, or delegee, except as to matters for which he shall be ultimately found in such action to be liable for gross negligence or willful misconduct. In the event of a settlement of any such case, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified had not been guilty of gross negligence or willful misconduct.

SECTION 3. Exculpability. Unless acting in bad faith, neither the Board as a body nor any Director, Officer, or Committee Member shall be personally liable to any Unit Owner in any respect for any action or lack of action arising out of the execution of his office. Each Unit Owner shall be bound by the good faith actions of the Board, Officers and Committee Members of the Association, in the execution of the duties of said Directors, Officers and Committee Members. Nothing contained herein shall be construed so as to exculpate members of the Board of Directors appointed by the Sponsor from discharging their fiduciary responsibilities.

ARTICLE IX - COVENANTS COMMITTEE

- (a) **Purpose.** The Board may establish a Covenants Committee consisting of three members appointed by the Board, each to serve for a term of one year, in order to assure that the Condominium shall always be maintained in a manner:
- (1) providing for visual harmony and soundness of repair;
 - (2) avoiding activities deleterious to the aesthetic or property values of the Condominium;
 - (3) furthering the comfort of the Unit Owners, their guests, invitees and lessees and
 - (4) promoting the general welfare and safety of the Condominium community.
- (b) **Powers.** The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common Elements in accordance with standards and guidelines contained in the Master Deed or By-Laws or otherwise adopted by the Board. The Covenants Committee shall have the power to issue a cease and

desist request to a Unit Owner, his guests, invitees, or lessees whose actions are inconsistent with the provisions of the Condominium Act, the Master Deed, the By-Laws, the Rules and Regulations or resolutions of the Board (upon petition of any Unit Owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Master Deed, Certificate of Incorporation and By-Laws, rules and regulations and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a Unit Owner or the Board. Any action, ruling or decision of the Covenants Committee may be appealed to the Board by any party deemed by the Board to have standing as an aggrieved party and a vote of a majority of the full authorized membership of the Board may modify or reverse any such action, ruling or decision.

(c) Authority. The Covenants Committee shall have such additional duties, power and authority as the Board may from time to time provide by resolution including the right to impose fines pursuant to Section 2 of Article XI hereof. The Board may relieve the Covenants Committee of its duties, powers and authority either generally or on a case by case basis by vote of a majority of its full authorized membership thereof. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the rules and regulations or by resolution of the Board. Notwithstanding the foregoing, no action may be taken by the Covenants Committee without giving the Unit Owners)

involved at least ten (10) days prior written notice and affording him the opportunity to be heard, with or without counsel, with respect to the violation(s) asserted.

ARTICLE X

ADDITIONS, ALTERATIONS OR IMPROVEMENTS BY THE ASSOCIATION

Whenever, in the judgment of the Board, the Common Elements require improvements costing in excess of \$5,000, said improvements shall not be made unless they have been approved by a majority of votes present in person or by proxy at a meeting of the Unit Owners at which a quorum is present. When said approval has been obtained, all Unit Owners benefiting from same shall be assessed for the cost thereof as a Common Expense. In the event of any emergency which could cause damage to any Building or part(s) thereof, the Board may expend sums in excess of \$5,000 to protect the said Building or Part(s) and the judgment of the Board in such a case shall be final.

ARTICLE XI

ENFORCEMENT

SECTION 1. Enforcement. The Board shall have the power, at its sole option, to enforce the terms of this instrument or any rule or regulation promulgated pursuant thereto, by any or all of the following: self-help; sending notice to the offending party to cause certain things to be done or undone; restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

SECTION 2. Fines. The Board shall also have the power to levy fines against any Unit Owner(s) for violation(s) of any rule or regulation of the Association or for any covenants or restrictions contained in the Master Deed or By-Laws, except that no fine may be levied for more than \$10.00 for any one violation; provided, however, the for each day a violation continues after notice it shall be considered a separate violation. Collection of the fines may be enforced against any Unit Owner(s) involved as if the fine were a Common Expense owed by the particular Unit Owner(s). Notwithstanding the foregoing, before any fine is imposed by the Board, the Unit Owner involved shall be given at least ten (10) days prior written notice and afforded an opportunity to be heard, with or without counsel, with respect to th violation(s) asserted.

SECTION 3. Waiver. No restriction, condition, obligation or covenant contained in these By-Laws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same irrespective of the number of violations or breaches thereof which may occur.

ARTICLE XII

AMENDMENTS

Subject to the restrictions in Section 7 of Article VI hereof, these By-Laws, or any of them, may be altered or repealed, or new By-Laws may be made, at any meeting of the Association duly held for such purpose, and previous to which written notice to Unit Owners of the exact language of the amendment or of the repeal shall have been sent, a quorum being present, by an affirmative vote of 51% in number and in interest of the votes entitled to be cast in person or by proxy, except that (i) the first annual meeting may not be advanced, (ii) the first Board (including replacements in case of vacancies) may not be enlarged or removed, (iii) the obligation or the proportionate responsibility for the payment

of Common Expenses with respect to Units or the Common Elements may not be changed by reason of any such new By-Law, amendment or repeal, or (iv) no such new By-Law, amendment or repeal shall in any way affect the Sponsor, including any successor of the Sponsor, unless the Sponsor, or its successor, has given its prior written consent thereto.

ARTICLE XIII

CONFLICT; INVALIDITY

SECTION 1. Conflict. Anything to the contrary herein notwithstanding, if any provision of these By-Laws is in conflict with or contradiction of the Master Deed, the Certificate of Incorporation or with the requirements of any law, then the requirements of said Master Deed shall be deemed controlling.

SECTION 2. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the enforceability or affect the remaining provisions of the By-Laws.

ARTICLE XIV

NOTICE

Any notice required to be sent to any Unit Owner under the provisions of the Master Deed or Certificate of Incorporation or these By-Laws shall be deemed to have been properly sent and notice thereby given, when mailed, by regular post with postage prepaid, addressed to the Unit Owner at the last known post office address of the person who appears as a member on the records of the Association at the time of such mailing. Notice to one of two or more co-owners of a Unit shall constitute notice to all co-owners. It shall be the obligation of every Unit Owner to immediately notify the Secretary of the Association in writing of

any change of address. Valid notice may also be given to Unit owners by (i) personal delivery to any occupant of said Unit over 14 years of age or (ii) by affixing said notice to or sliding same under the front door of the Unit.

ARTICLE XV

ARBITRATION

Any arbitration provided for in these By-Laws shall be conducted before one arbitrator in Somerset, New Jersey by the American Arbitration Association, in accordance with its rules then obtaining and the decision rendered in such arbitration shall be binding upon the parties and may be entered in any court having jurisdiction. All expenses of arbitration hereunder including the fees and expenses of counsel and experts shall be Common Expenses.

ARTICLE XVI

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words "Trendmaker Homes North Condominium Association, Inc."

EXHIBIT F

Percentage Interest Schedule

UNIT DESIGNATION/UNIT TYPE/PERCENTAGE INTEREST SCHEDULE

<u>Unit Designation</u>	<u>Unit Type</u>	<u>% Interest</u>
1-17	A	.8333
1-18	B	.8333
1-19	C	.8333
1-20	D	.8333
1-21	E	.8333
1-22	F	.8333
1-23	G	.8333
1-24	H	.8333
2-9	A	.8333
2-10	B	.8333
2-11	C	.8333
2-12	D	.8333
2-13	E	.8333
2-14	F	.8333
2-15	G	.8333
2-16	H	.8333
3-1	A	.8333
3-2	B	.8333
3-3	C	.8333
3-4	D	.8333
3-5	E	.8333
3-6	G	.8333
3-7	G	.8333
3-8	H	.8333
4-25	A	.8333
4-26	B	.8333
4-27	C	.8333
4-28	D	.8333
4-29	E	.8333
4-30	F	.8333
4-31	G	.8333
4-32	H	.8333

<u>Unit Designation</u>	<u>Unit Type</u>	<u>% Interest</u>
5-33	A	.8333
5-34	B	.8333
5-35	C	.8333
5-36	D	.8333
5-37	E	.8333
5-38	F	.8333
5-39	G	.8333
5-40	H	.8333
6-41	A	.8333
6-42	B	.8333
6-43	C	.8333
6-44	D	.8333
6-45	E	.8333
6-46	F	.8333
6-47	G	.8333
6-48	H	.8333
7-49	A	.8333
7-50	B	.8333
7-51	C	.8333
7-52	D	.8333
7-53	E	.8333
7-54	F	.8333
7-55	G	.8333
7-56	H	.8333
8-57	A	.8333
8-58	B	.8333
8-59	C	.8333
8-60	D	.8333
8-61	E	.8333
8-62	F	.8333
8-63	G	.8333
8-64	H	.8333

(
Unit
Designation

Unit Type

% Interest

9-65	A	.8333
9-66	B	.8333
9-67	C	.8333
9-68	D	.8333
9-69	E	.8333
9-70	F	.8333
9-71	G	.8333
9-72	H	.8333
10-73	A	.8333
10-74	B	.8333
10-75	C	.8333
10-76	D	.8333
10-77	E	.8333
10-78	F	.8333
10-79	G	.8333
10-80	H	.8333
11-81	A	.8333
11-82	B	.8333
11-83	C	.8333
11-84	D	.8333
11-85	E	.8333
11-86	F	.8333
11-87	G	.8333
11-88	H	.8333
12-89	A	.8333
12-90	B	.8333
12-91	C	.8333
12-92	D	.8333
12-93	E	.8333
12-94	F	.8333
12-95	G	.8333
12-96	H	.8333

<u>Designation</u>	<u>Unit Type</u>	<u>% Interest</u>
13-97	A	.8333
13-98	B	.8333
13-99	C	.8333
13-100	D	.8333
13-101	E	.8333
13-102	F	.8333
13-103	G	.8333
13-104	H	.8333
14-113	A	.8333
14-114	B	.8333
14-115	C	.8333
14-116	D	.8333
14-117	E	.8333
14-118	F	.8333
14-119	G	.8333
14-120	H	.8333
15-105	A	.8333
15-106	B	.8333
15-107	C	.8333
15-108	D	.8333
15-109	E	.8333
15-110	F	.8333
15-111	G	.8333
15-112	H	.8333

EXHIBIT 2

Proposed Operating Budget for First Full Year of Operation,
Letter of Budget Adequacy and Letter of Insurance Adequacy

TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.

PUBLIC OFFERING STATEMENT BUDGET

INTRODUCTION

Calton Management Co., Inc. has prepared the following budget projections for the Trendmaker Homes North Condominium Association, Inc. located in Franklin Township, Somerset County, New Jersey. The budget projections that follow are projected on the accrual basis which recognizes income when earned and expenses when incurred.

Trendmaker Homes North is a 120 unit condominium community being developed by Calton Homes, Inc. The property is being developed in one phase over a projected two-year period. Under present plans, settlements will begin in March, 1986.

The Association will adopt an operating budget when it begins operation. At that time, the Board will also adopt a fiscal year that may or may not coincide with the yearly pattern used in these budget projections.

The Association will provide management services to the Common Elements, and be responsible for the maintenance and replacement of the exterior portions of the units, including roofs.

BUDGET PROJECTIONS

The fiscal year budget reflects one full year of operation. This budget represents income and expenses in 1985 dollars, and does not reflect inflation. The full-occupancy budget reflects the actual income and expenses projected for the Association in its first year of operation at full occupancy.

Under the Master Deed, it is assumed each initial purchaser will make a contribution at settlement to the Condominium's Initial Working Capital Fund. This contribution is projected at an amount equal to two month's assessments. It is not a prepayment of the assessment. The working Capital Fund will be used to partially meet the organizing expense of the Association after the development period.

BASIS FOR ASSESSMENTS

Article VII of the Master Deed for Trendmaker Homes North at Quailbrook establishes the obligation of each Unit Owner to pay an equal share of the Common Expenses. The Article sets forth the purpose of the assessment, and empowers the Board of Directors to set the annual assessment each year. The assessment obligation is a legal obligation of the Unit Owner, and provisions are made for enforcing this obligation should the Unit Owner not remain current.

TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.
OPERATING BUDGET BASED ON FULL OCCUPANCY OF 120 UNITS
FOR THE FIRST FULL YEAR OF OPERATION

Income

Residential Assessments (\$53/mo. x 120 units)	<u>\$ 76,320</u>	
Total Income		<u>\$ 76,320</u>

Operating Expenses

Administrative

Bank Charges	\$ 200	
Office Supplies and Printing	562	
Management Fee	12,960	
Audit	1,000	
Legal	1,000	
Insurance	<u>7,800</u>	
Total Administrative		<u>\$ 23,522</u>

Grounds

Electric	\$ 3,780	
Lawn Maintenance	9,400	
Snow Clearing	8,000	
Garbage Removal	5,760	
Painting	9,026	
General Maintenance	1,000	
Paving Maintenance	<u>2,730</u>	
Total Grounds		<u>\$ 39,696</u>

Total Operating Expenses	<u>\$ 62,488</u>
Operating Contingency	\$ 2,850
Reserve for Repair and Replacement	<u>\$ 10,252</u>
Total Operating Expenses and Reserves	<u>\$ 76,320</u>

TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.

ASSUMPTIONS SUPPORTING THE ESTIMATES USED IN
THE PREPARATION OF THE OPERATING BUDGET

ADMINISTRATIVE

Office Supplies and Printing: Expenses for the operation of Association, including stationery, postage, normal office supplies, etc.

Management Fee: Fee to independent contractor for property management, including assessment and collection of dues, negotiating and monitoring independent service contracts, financial accounting, etc., based upon \$9.00 per unit per month, with a minimum monthly fee of \$500.

Legal and Audit: Based upon fees to independent consultants for legal counsel to the Board and for annual audit and review of Association books and records and preparation of tax returns.

Insurance: Includes liability and hazard insurance on Common Elements and Limited Common Elements, Directors and Officers insurance and Workman's Compensation insurance.

GROUNDS

Electric: Based on \$15.00 per standard per month for twenty-one street lights.

Landscape Maintenance: Fee to independent contractor for lawn and landscape maintenance for an eight month period.

Snow Removal: Fee to independent contractor for snow removal and sanding of parking areas and walkways.

Garbage Removal: Fee to independent contractor for refuse collection and disposal at the rate of \$4.00 per unit per month.

Paving Repairs: Allowance for material and labor for paving repairs.

General Maintenance: Allowance for material and supplies needed for maintenance personnel to properly maintain the Common Elements.

OPERATING CONTINGENCY

Allowance set aside to cover any unanticipated expenditures and/or capital improvements.

TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.

ANALYSIS OF REPAIR AND REPLACEMENT RESERVE

<u>Description</u>	<u>Quantity</u>	<u>Total Cost</u>	<u>Est. Useful Life</u>	<u>Replacement Fund</u>
Roads, Parking Areas and Asphalt Walks	11,700 s.y.	\$58,500	20 yrs.	\$ 2,925
Emergency Access Road	2,200 s.f.	15,400	25 yrs.	616
Concrete Walkways	10,300 s.f.	15,450	25 yrs.	618
Curbs	5,700 s.f.	34,200	50 yrs.	684
Roofs	75,500 s.f.	49,075	25 yrs.	1,963
Gutters and Downspouts	6,930 l.f.	6,930	20 yrs.	346
Tennis Courts	2	40,000	25 yrs.	1,600
Tot Lot	1	15,000	10 yrs.	<u>1,500</u>
TOTAL REPAIR AND REPLACEMENT RESERVE				<u>\$10,252</u>



MANAGEMENT CO. INC.

100 Craig Road, Freehold, New Jersey 07728 • (201) 780-1800

November 15, 1985

Department of Community Affairs
Planned Real Estate Development Section
3131 Princeton Pike
Lawrenceville, New Jersey 08648

Re: Trendmaker Homes North Condominium

Gentlemen:

The accompanying projected budget for the Trendmaker Homes North Condominium Association, Inc. for the first full year of operation of the Association was prepared on the basis of assumptions and rationale provided by the Sponsor, proposed contracts for services from unaffiliated contractors and the operating experience of Calton Management Co., Inc. The budget covers the projected costs of operating, maintaining and setting aside amounts as reserves for future repair and replacement of the common elements. In our opinion the estimates used in determining the operating budget, including the reserve for future repair and replacement of the common elements, are adequate.

Since the projection is based upon assumptions and about circumstances and events that have not yet taken place, it is subject to variations that may arise as future events occur. Accordingly, we cannot give assurance that the projected budget will be attained. Because circumstances may change and unanticipated events may occur subsequent to the date of this report, the assumptions and rationale must be reviewed in light of circumstances then prevailing.

Very truly yours,
CALTON MANAGEMENT CO., INC.

A handwritten signature in cursive script, appearing to read "Alice M. Simpson", is written over the typed name.

Alice M. Simpson



**OLYMPIC INSURANCE
ASSOCIATES INC.**
A COMPLETE INSURANCE SERVICE

November 13, 1985

Ms. Alice Simpson
Calton Homes
100 Craig Road
Freehole, N.J. 07728

RE: Trendmaker Homes North Condominium Association
"Letter of Adequacy"

Dear Ms. Simpson:

This letter is to confirm our complete review and approval of the Trendmaker Condominium insurance specifications and limits outlined in our proposal of 11/12/85.

The suggested coverages include:

	Estimated Annual Premium
Buildings \$2,400,000	\$6,000.00
Loss of Maintenance Fees (Actual Loss Sustained)	Incl.
Association Personal Property \$5,000	Incl.
Property Damage to Tennis Courts & Playgrounds \$5,000	Incl.
Comprehensive General Liability \$1,000,000 Limit	Incl.
Directors & Officers Liability \$1,000,000	\$ 409.00
Umbrella (Over D & O & CGL) \$1,000,000 Limit	\$1,200.00
Other Miscellaneous Property Coverages (Glass, trees,)	Incl.
N.J. Surcharge	\$ 78.00
	<u>\$7,687.00</u>

The values and limits comply with Olympic's underwriting guidelines and the insurance standards maintained by the Department of Community Affairs.

Our company has been informed that this letter will be incorporated into an application for registration with the New Jersey Department of Community Affairs, and we hereby consent to its incorporation into such application.

Very truly yours,

Douglas Ewertson
OLYMPIC INSURANCE ASSOCIATES, INC.

DRE:sd

BONDMAKERS

Comprehensive Dishonesty, Disappearance and Destruction Policy

Form A

United States Fire Insurance Company
A New York Corporation
Home Office: New York, N.Y.

International Insurance Company
An Illinois Corporation
Home Office: Chicago, Illinois

Westchester Fire Insurance Company
A New York Corporation
Home Office: New York, N.Y.

The North River Insurance Company
A New Jersey Corporation
Home Office: Township of Morris, N.J.



U.S. Insurance Group

a Crum and Forster organization

(Each a Capital Stock Company)

The Company, in consideration of the payment of the premium, and subject to the Declarations made a part hereof, the General Terms, Conditions and Limitations and other terms of this Policy, agrees with the Insured, in accordance with such of the Insuring Agreements hereof as are specifically designated by the insertion of an amount of insurance in the Table of Limits of Liability, to pay the sum insured for:

INSURING AGREEMENTS

I. EMPLOYEE DISHONESTY COVERAGE - FORM A

Loss of Money, Securities and other property which the Insured shall sustain, to an amount not exceeding in the aggregate the amount stated in the Table of Limits of Liability applicable to this Insuring Agreement I, resulting directly from one or more fraudulent or dishonest acts committed by an Employee, alone or in collusion with others.

Dishonest or fraudulent acts as used in this Insuring Agreement shall mean only dishonest or fraudulent acts committed by such Employee with the intent:

- (1) to cause the Insured to sustain such loss; and
- (2) to obtain financial benefit for the Employee, or for any other person or organization intended by the Employee to receive such benefit, other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment.

II. LOSS INSIDE THE PREMISES COVERAGE

Loss of Money and Securities by the actual destruction, disappearance or wrongful abstraction thereof within the Premises or within any Banking Premises or other recognized places of safe deposit.

Loss of (a) other property by Safe Burglary or Robbery within the Premises or attempt thereof, and (b) a locked cash drawer, cash box or cash register by forcible entry into such container within the Premises or attempt thereof or by felonious abstraction of such container from within the Premises or attempt thereof.

Damage to the Premises by such Safe Burglary, Robbery or felonious abstraction, or by or following burglarious entry into the Premises or attempt thereof, provided with respect to damage to the Premises the Insured is the owner thereof or is liable for such damage.

III. LOSS OUTSIDE THE PREMISES COVERAGE

Loss of Money and Securities by the actual destruction, disappearance or wrongful abstraction thereof outside the Premises while being conveyed by a Messenger or any armored motor vehicle company, or while within the living quarters in the home of any Messenger.

Loss of other property by Robbery or attempt thereof outside the Premises while being conveyed by a Messenger or any armored motor vehicle company, or theft while within the living quarters in the home of any Messenger.

IV. MONEY ORDERS AND COUNTERFEIT PAPER CURRENCY COVERAGE

Loss due to the acceptance in good faith, in exchange for merchandise, Money or services, of any post office or express money order, issued or purporting to have been issued by any post office or express company, if such money order is not paid upon presentation, or due to the acceptance in good faith in the ordinary course of business of counterfeit United States or Canadian paper currency.

V. DEPOSITORS FORGERY COVERAGE

Loss which the Insured or any bank which is included in the Insured's proof of loss and in which the Insured carries a checking or savings account, as their active interests may appear, shall sustain through forgery or alteration of, on or in any check, draft, promissory note, bill of exchange, or similar written instrument, order or direction to pay a sum certain in money, made or drawn by or drawn upon the Insured, or made or drawn by one acting as agent of the Insured, or purporting to have been made or drawn as hereinbefore set forth, including:

- (a) any check or draft made or drawn in the name of the Insured, payable to a fictitious payee and endorsed in the name of such fictitious payee;
- (b) any check or draft procured in a face to face transaction with the Insured, or with one acting as agent of the Insured, by anyone impersonating another and made or drawn payable to the one so impersonated and endorsed by anyone other than the one so impersonated; and
- (c) any payroll check, payroll draft or payroll order made or drawn by the Insured, payable to bearer as well as to a named payee and endorsed by anyone other than the named payee without authority from such payee;

Whether or not any endorsement mentioned in (a), (b) or (c) be a forgery within the law of the place controlling the construction thereof. Mechanically reproduced facsimile signatures are treated the same as handwritten signatures.

The Insured shall be entitled to priority of payment over loss sustained by any bank aforesaid. Loss under this Insuring Agreement, whether sustained by the Insured or such bank, shall be paid directly to the Insured in its own name, except in cases where such bank shall have already fully reimbursed the Insured for such loss. The liability of the Company to such bank for such loss shall be a part of and not in addition to the amount of insurance applicable to the Insured's office to which such loss would have been allocated had such loss been sustained by the Insured.

If the Insured or such bank shall refuse to pay any of the foregoing instruments made or drawn as hereinbefore set forth, alleging that such instruments forged or altered, and such refusal shall result in suit being brought against the Insured or such bank to enforce such payment and the Company shall give written consent to the defense of such suit, then any reasonable attorneys' fees, court costs, or similar legal expenses incurred and paid by the Insured or bank in such defense shall be construed to be a loss under this Insuring Agreement and the liability of the Company for such loss shall be in addition to other liability under this Insuring Agreement.

GENERAL AGREEMENTS

CONSOLIDATION-MERGER — If, through consolidation or merger with, or purchase of assets of, some other concern, any persons shall become Employees or if the Insured shall thereby acquire the use and control of any additional Premises, the insurance afforded by this Policy shall also apply as respects such Employees and Premises, provided the Insured shall give the Company written notice thereof within thirty days thereafter and shall pay the Company additional premium computed pro rata from the date of such consolidation, merger or purchase to the end of the current premium period.

JOINT INSURED — If more than one Insured is covered under this Policy, the Insured first named shall act for itself and for every other Insured for all purposes of this Policy. Knowledge possessed or discovery made by any Insured or by any partner or officer thereof shall, for the purposes of Sections 7, 8 and 15, constitute knowledge possessed or discovery made by every Insured. Cancellation of the insurance hereunder as respects any Employee as provided in Section 15 shall apply to every Insured. If, prior to the cancellation or termination of this Policy, this Policy or any Insuring Agreement hereof is canceled or terminated as to any Insured, there shall be no liability for any loss sustained by such Insured unless discovered within one year from the date of such cancellation or termination. Payment by the Company to the Insured first named of any loss under this Policy shall fully release the Company on account of such loss. If the Insured first named ceases for any reason to be covered under this Policy, then the Insured next named shall thereafter be considered as the Insured first named for all purposes of this Policy.

LOSS UNDER PRIOR BOND OR POLICY — If the coverage of an Insuring Agreement of this Policy, other than Insuring Agreement V, is substituted by any prior bond or policy of insurance carried by the Insured or by any predecessor in interest of the Insured, which prior bond or policy is terminated, canceled or allowed to expire as of the time of such substitution, the Company agrees that such Insuring Agreement applies to loss which is discovered as provided in Section 1 of the Conditions and Limitations and which would have been recoverable by the Insured or such predecessor under such prior bond or policy except for the fact that the time within which to discover loss thereunder had expired; provided:

the insurance under this General Agreement C shall be a part of and not in addition to the amount of insurance afforded by the applicable Insuring Agreement of this Policy;

such loss would have been covered under such Insuring Agreement had such Insuring Agreement with its agreements, conditions and limitations as of the time of such substitution been in force when the acts or events causing such loss were committed or occurred; and

recovery under such Insuring Agreement on account of such loss shall in no event exceed the amount which would have been recoverable under such Insuring Agreement in the amount for which it is written as of the time of such substitution, had such Insuring Agreement been in force when such acts or events were committed or occurred, or the amount which would have been recoverable under such prior bond or policy had such prior bond or policy continued in force until the discovery of such loss, if the latter amount be smaller.

Insuring Agreement V shall also cover loss sustained by the Insured at any time before the termination or cancellation of Insuring Agreement V, which would have been recoverable under the coverage of some similar form of forgery insurance (exclusive of fidelity insurance) carried by the Insured or any predecessor in interest of the Insured, had such prior forgery insurance given all of the coverage afforded under Insuring Agreement V; provided, with respect to loss covered by this paragraph:

the coverage of Insuring Agreement V is substituted on or after the date hereof for such prior forgery coverage and the Insured or such predecessor, as the case may be, carried such prior forgery coverage on the office at which such loss was sustained continuously from the time such loss was sustained to the date the coverage of Insuring Agreement V was substituted therefor;

(b) at the time of discovery of such loss, the period for discovery of loss under all such prior forgery insurance has expired; and

(c) if the amount of insurance carried under Insuring Agreement V is applicable to the office at which such loss is sustained is larger than the amount applicable to such office under such prior forgery insurance, and in force at the time such loss is sustained, then liability hereunder for such loss shall not exceed the smaller amount.

THE FOREGOING INSURING AGREEMENTS AND GENERAL AGREEMENTS ARE SUBJECT TO THE FOLLOWING CONDITIONS AND LIMITATIONS:

Section 1 - POLICY PERIOD, TERRITORY, DISCOVERY — Loss is covered under this Policy only if discovered not later than one year from the end of the Policy Period.

Subject to General Agreement C:

(a) this Policy, except under Insuring Agreements I and V, applies only to loss which occurs during the Policy Period within any of the States of the United States of America, the District of Columbia, Virgin Islands, Puerto Rico, Canal Zone or Canada;

(b) Insuring Agreement I applies only to loss sustained by the Insured through fraudulent or dishonest acts committed during the Policy Period by any of the Employees engaged in the regular service of the Insured within the territory designated above or while such Employees are elsewhere for a limited period;

(c) Insuring Agreement V applies only to loss sustained during the Policy Period.

Section 2 - EXCLUSIONS — This Policy does not apply:

(a) to loss due to any fraudulent, dishonest, or criminal act by any Insured or a partner therein, whether acting alone or in collusion with others;

(b) under Insuring Agreement I, to loss, or to that part of any loss, as the case may be, the proof of which, either as to its factual existence or as to its amount, is dependent upon an inventory computation or a profit and loss computation;

(c) under Insuring Agreements II and III, to loss due to any fraudulent, dishonest or criminal act by an Employee, director, trustee or authorized representative of any Insured, while working or otherwise and whether acting alone or in collusion with others; provided, this Exclusion does not apply to Safe Burglary or Robbery or attempt thereof;

(d) under Insuring Agreements II and III, to loss due to war, whether or not declared, civil war, insurrection, rebellion or revolution, or to any act or condition incident to any of the foregoing;

(e) under Insuring Agreements II and III, to loss (1) due to the giving or surrendering of Money or Securities in any exchange or purchase; (2) due to accounting or arithmetical errors or omissions; or (3) of manuscripts, books of account or records;

(f) under Insuring Agreement II, to loss of Money contained in coin operated amusement devices or vending machines, unless the amount of Money deposited within the device or machine is recorded by a continuous recording instrument therein;

under Insuring Agreement III, to loss of insured property while in the custody of any armored motor vehicle company, unless such loss is in excess of the amount recovered or received by the Insured under (1) the Insured's contract with said armored motor vehicle company, (2) insurance carried by said armored motor vehicle company for the benefit of users of its service, and (3) all other insurance and indemnity in force in whatsoever form carried by or for the benefit of users of said armored motor vehicle company's service, and then this Policy shall cover only such excess;

Upon the Company's request, the Insured shall submit to examination by the Company, subscribe the same, under oath if required, and produce for the Company's examination all pertinent records, all at such reasonable times and places as the Company shall designate, and shall cooperate with the Company in all matters pertaining to loss or claims with respect thereto.

No action shall lie against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy, or until ninety days after the required proofs of loss have been filed with the Company, nor at all unless commenced within two years from the date when the Insured discovers the loss. If any limitation of time for notice of loss or any legal proceeding herein contained is shorter than that permitted to be fixed by any statute controlling the construction of this Policy, the shortest permissible statutory limitation of time shall govern and shall supercede any time limitation herein stated.

Section 9 - VALUATION-PAYMENT-REPLACEMENT - In no event shall the Company be liable as respects Securities for more than the actual cash value thereof at the close of business on the business day next preceding the day on which the loss was discovered, nor as respects other property, for more than the actual cash value thereof at the time of loss; provided, however, the actual cash value of such other property held by the Insured as a pledge, or as collateral for an advance or a loan, shall be deemed not to exceed the value of the property as determined and recorded by the Insured when making the advance or loan, nor, in the absence of such record, the unpaid portion of the advance or loan plus accrued interest thereon at legal rates.

The Company may, with the consent of the Insured, settle any claim for loss of property with the owner thereof. Any property for which the Company has made indemnification shall become the property of the Company.

In case of damage to the Premises or loss of property other than Securities, the Company shall not be liable for more than the actual cash value of such property, or for more than the actual cost of repairing such Premises or property or of replacing same with property or material of like quality and value. The Company may, at its election, pay such actual cash value, or make such repairs or replacements. If the Company and the Insured cannot agree upon such cash value or such cost of repairs or replacements, such cash value or such cost shall be determined by arbitration.

Section 10 - RECOVERIES - If the Insured shall sustain any loss covered by this Policy which exceeds the applicable amount of insurance hereunder, the Insured shall be entitled to all recoveries (except from suretyship, insurance, reinsurance, security or indemnity taken by or for the benefit of the Company) from whomsoever made, on account of such loss under this Policy until fully reimbursed, less the actual cost of effecting the same; and any remainder shall be applied to the reimbursement of the Company.

Section 11 - LIMITS OF LIABILITY - Payment of loss under Insuring Agreement I or V shall not reduce the Company's liability for other losses under the applicable Insuring Agreement whenever sustained. The Company's total liability (a) under Insuring Agreement I as to each Employee or (b) under Insuring Agreement V for all loss by forgery or alteration committed by any person or in which such person is concerned or implicated, whether such forgery or alteration involves one or more instruments, is limited to the applicable amount of insurance specified in the Table of Limits of Liability or endorsement mandatory thereto. The liability of the Company for loss sustained by any or all of the Insured shall not exceed the amount for which the Company would be liable had all such loss been sustained by any one of the Insured.

Except under Insuring Agreements I and V, the applicable limit of liability stated in the Table of Limits of Liability is the total limit of the Company's liability with respect to all loss of property of one or more persons or organizations arising out of any one occurrence. All loss incidental to an actual or attempted fraudulent, dishonest or criminal act or series of related acts at the Premises, whether committed by one or more persons, shall be deemed to arise out of one occurrence.

Regardless of the number of years this Policy shall continue in force and the number of premiums which shall be payable or paid, the limit of the Company's liability as specified in the Table of Limits of Liability shall not be cumulative from year to year or period to period.

Section 12 - LIMIT OF LIABILITY UNDER THIS POLICY AND PRIOR INSURANCE - This Section shall apply only to Insuring Agreements I and V. With respect to loss caused by any person (whether one of the Employees or not) or which is chargeable to any Employee as provided in Section 4 and which occurs partly during the Policy Period and partly during the period of other bonds or policies issued by the Company to the Insured or to any predecessor in interest of the Insured and terminated or canceled or allowed to expire and in which the period for discovery has not expired at the time any such loss thereunder is discovered, the total liability of the Company under this Policy and under such other bonds or policies shall not exceed, in the aggregate, the amount carried under the applicable Insuring Agreement of this Policy on such loss or the amount available to the Insured under such other bonds or policies, as limited by the terms and conditions thereof, for any such loss, if the latter amount be the larger.

Section 13 - OTHER INSURANCE - If there is available to the Insured any other insurance or indemnity covering any loss covered by Insuring Agreement I or V, the Company shall be liable hereunder only for that part of such loss which is in excess of the amount recoverable or recovered from such other insurance or indemnity, except that if such other insurance or indemnity is a bond or policy of fidelity insurance, any loss covered under both such fidelity insurance and Insuring Agreement V shall first be paid under Insuring Agreement V. Any loss covered under both Insuring Agreements I and V shall first be paid under Insuring Agreement V and the excess, if any, shall be paid under Insuring Agreement I. The Company waives any right of contribution which it may have against any fidelity insurance carried by any depository bank which is indemnified under Insuring Agreement V.

Under any other Insuring Agreement, if there is any other valid and collectible insurance which would apply in the absence of such Insuring Agreement, the insurance under this Policy shall apply only as excess insurance over such other insurance; provided, the insurance shall not apply (a) to property which is separately described and enumerated and specifically insured in whole or in part by any other insurance; or (b) to property otherwise insured unless such property is owned by the Insured.

Section 14 - SUBROGATION - In the event of any payment under this Policy, the Company shall be subrogated to all the Insured's rights of recovery therefor against any person or organization and the Insured shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Insured shall do nothing after loss to prejudice such rights.

Section 15 - CANCELATION AS TO ANY EMPLOYEE - Insuring Agreement I shall be deemed canceled as to any Employee: (a) immediately upon discovery by the Insured, or by any partner or officer thereof not in collusion with such Employee, of any fraudulent or dishonest act on the part of such Employee; or (b) at 12:01 a.m., standard time as aforesaid, upon the effective date specified in a written notice mailed to the Insured. Such date shall be not less than fifteen days after the date of mailing. The mailing by the Company of notice as aforesaid to the Insured at the address shown in this Policy shall be sufficient proof of notice. Delivery of such written notice by the Company shall be equivalent to mailing.

Section 16 - CANCELATION OF POLICY OR INSURING AGREEMENT - This Policy or any Insuring Agreement may be canceled by the Insured by mailing to the Company written notice stating when thereafter the cancellation shall be effective. This Policy or any Insuring Agreement may be canceled by the Company by mailing to the Insured at the address shown in this Policy written notice stating when not less than fifteen days thereafter such cancellation shall be effective. The mailing of notice as aforesaid shall be sufficient proof of notice. The effective date of cancellation stated in the notice shall become the end of the Policy Period for any affected Insuring Agreement. Delivery of such written notice either by the Insured or by the Company shall be equivalent to mailing.

If the Insured cancels, earned premium shall be computed in accordance with the customary short rate table and procedure. If the Company cancels, premium shall be computed pro rata. Premium adjustment may be made either at the time cancellation is effected or as soon as practicable after cancellation becomes effective, but payment or tender of unearned premium is not a condition of cancellation.

under Insuring Agreements II and III, to loss due to nuclear reaction, nuclear radiation or radioactive contamination, or to any act or condition incident to any of the foregoing;

under Insuring Agreement II, to loss, other than to Money, Securities, a safe or vault, by fire whether or not such fire is caused by, contributed to by or arises out of the occurrence of a hazard insured against;

to loss due to the surrender of Money, Securities or other property away from the Premises as a result of a threat to do

(1) bodily harm to any person or damage to the Premises or Property owned by the Insured or held by the Insured in any capacity; provided, however, these exclusions do not apply

(a) to Insuring Agreement I if coverage is afforded thereunder, or

(b) under Insuring Agreement III if coverage is afforded thereunder, to loss of Money, Securities or other property while being conveyed by a Messenger when there was no knowledge by the Insured of any such threat at the time the conveyance was initiated;

to the defense of any legal proceeding brought against the Insured, or to fees, costs or expenses incurred or paid by the Insured in prosecuting or defending any legal proceeding whether or not such proceeding results or would result in a loss to the Insured covered by this Policy, except as may be specifically stated to the contrary in this Policy;

to potential income, including but not limited to interest and dividends, not realized by the Insured because of a loss covered under this Policy;

to damages of any type for which the Insured is legally liable, except direct compensatory damages arising from a loss covered under this Policy;

to costs, fees and other expenses incurred by the Insured in establishing the existence of or amount of loss covered under this Policy.

Section 3 - DEFINITIONS - The following terms, as used in this Policy, shall have the respective meanings stated in this Section:

Money means currency, coins, bank notes and bullion; and travelers checks, register checks and money orders held for sale to the public.

Securities means all negotiable and non-negotiable instruments or contracts representing either Money or other property and includes revenue and stamps in current use, tokens and tickets, but does not include Money.

Employee means any natural person (except a director or trustee of the Insured, if a corporation, who is not also an officer or employee thereof in other capacity) while in the regular service of the Insured in the ordinary course of the Insured's business during the Policy Period and whom the Insured compensates by salary, wages or commissions and has the right to govern and direct in the performance of such service, but does not mean any partner, factor, commission merchant, consignee, contractor or other agent or representative of the same general character. As applied to loss under Insuring Agreement I, the above words "while in the regular service of the Insured" shall include the first 30 days thereafter; subject, however, to Sections 15 and 16.

Premises means the interior of that portion of any building which is occupied by the Insured in conducting its business.

Banking Premises means the interior of that portion of any building which is occupied by a banking institution in conducting its business.

Messenger means the Insured or a partner of the Insured or any Employee who is duly authorized by the Insured to have the care and custody of the Insured property outside the Premises.

Custodian means the Insured or a partner of the Insured or any Employee who is duly authorized by the Insured to have the care and custody of the Insured property within the Premises, excluding any person while acting as a watchman, porter or janitor.

Robbery means the taking of insured property (1) by violence inflicted upon a Messenger or a Custodian; (2) by putting him in fear of violence; (3) by any other overt felonious act committed in his presence and of which he was actually cognizant, provided such other act is not committed by a partner or employee of the Insured; (4) from the person or direct care and custody of a Messenger or Custodian who has been killed or rendered unconscious; or under Insuring Agreement II, (a) from within the Premises by means of compelling a Messenger or Custodian by violence or threat of violence while in the Premises to admit a person into the Premises or to furnish him with means of ingress into the Premises, or (b) from a showcase or show window in the Premises while regularly open for business, by a person who has broken the glass thereof from outside the Premises.

Burglary means (1) the felonious abstraction of insured property from within a vault or safe, the door of which is equipped with a combination lock and is located within the Premises by a person making felonious entry into such vault or such safe and any vault containing the safe, when all doors thereof are closed and locked by all combination locks thereon, provided such entry shall be made by actual force and violence, of which force and violence there shall be visible marks made by tools, explosives, electricity or chemicals upon the exterior of (a) all of said doors of such vault or such safe and any vault containing the safe, if entry is made through such doors, or (b) the top, bottom or walls of such vault or such safe and any vault containing the safe through which entry is made, if not made through such doors, or (2) the felonious abstraction of such safe from within the Premises.

Loss, except under Insuring Agreements I and V, includes damage.

Section 4 - LOSS CAUSED BY UNIDENTIFIABLE EMPLOYEES - If a loss is alleged to have been caused by the fraud or dishonesty of any one or more Employees and the Insured shall be unable to designate the specific Employee or Employees causing such loss, the Insured shall nevertheless have the benefit of Insuring Agreement I, subject to the provisions of Section 2(b) of this Policy, provided that the evidence submitted reasonably proves that the loss in fact due to the fraud or dishonesty of one or more of the said Employees, and provided, further, that the aggregate liability of the Company for any loss shall not exceed the Limit of Liability applicable to Insuring Agreement I.

Section 5 - OWNERSHIP OF PROPERTY; INTERESTS COVERED - The insured property may be owned by the Insured, or held by the Insured in any capacity whether or not the Insured is liable for the loss thereof, or may be property as respects which the Insured is legally liable; provided, Insuring Agreements II, III and IV apply only to the interest of the Insured in such property, including the Insured's liability to others, and do not apply to the interest of any other person or organization in any of said property unless included in the Insured's proof of loss, in which event the third paragraph of Section 8 is applicable to them.

Section 6 - BOOKS AND RECORDS - The Insured shall keep records of all the insured property in such manner that the Company can accurately date- therefrom the amount of loss.

Section 7 - PRIOR FRAUD, DISHONESTY OR CANCELATION - The coverage of Insuring Agreement I shall not apply to any Employee from and after the time that the Insured or any partner or officer thereof not in collusion with such Employee shall have knowledge or information that such Employee has committed any fraudulent or dishonest act in the service of the Insured or otherwise, whether such act be committed before or after the date of employment of the Insured.

Further, prior to the issuance of this Policy, any fidelity insurance in favor of the Insured or any predecessor in interest of the Insured and covering one or more of the Insured's Employees shall have been canceled as to any of such Employees by reason of the giving of written notice of cancellation by the insurer of such fidelity insurance, whether the Company or not, and if such Employees shall not have been reinstated under the coverage of said fidelity insurance or superseding fidelity insurance, the Company shall not be liable on account of such Employees unless the Company shall agree in writing to include such Employees within the coverage of Insuring Agreement I.

Section 8 - LOSS-NOTICE-PROOF-ACTION AGAINST COMPANY - Upon knowledge or discovery of loss or of an occurrence which may give rise to a claim for loss, the Insured shall: (a) give notice thereof as soon as practicable to the Company or any of its authorized agents and, except under Insuring Agreements I and V, also to the police if the loss is due to a violation of law; (b) file detailed proof of loss, duly sworn to, with the Company within four days after the discovery of loss.

Further, if loss under Insuring Agreement V shall include the instrument which is the basis of claim for such loss, or if it shall be impossible to file such instrument, the affidavit of the Insured or the Insured's bank of deposit setting forth the amount and cause of loss shall be accepted in lieu thereof.

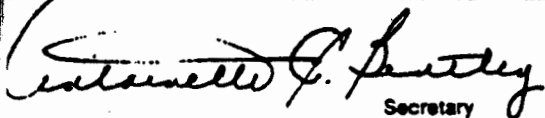
tion 17 - NO BENEFIT TO BAILEE - This Section shall apply only to Insuring Agreements II and III.
The insurance afforded by this Policy shall not inure directly or indirectly to the benefit of any carrier or other bailee for hire.

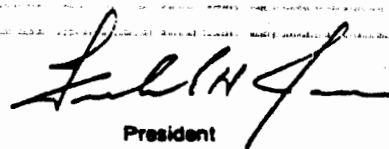
tion 18 - ASSIGNMENT - Assignment of interest under this Policy shall not bind the Company until its consent is endorsed hereon; if, however, the insured shall die, this Policy shall cover the Insured's legal representative as Insured; provided that notice of cancellation addressed to the Insured named in the Declarations and mailed to the address shown in this Policy shall be sufficient notice to effect cancellation of this Policy.

tion 19 - CHANGES - Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this Policy or estop the Company from asserting any right under the terms of this Policy; nor shall the terms of this Policy be waived or changed, except by endorsement issued to form a part of this Policy signed by an officer of the Company.

By acceptance of this Policy the Insured agrees that it embodies all agreements existing between the Insured and the Company or any of its agents relating to this insurance.

In witness whereof, the Company has caused this Policy to be executed on the Declarations page.


Secretary


President

Crum and Forster
organizations

**COMPREHENSIVE DISHONESTY,
DISAPPEARANCE AND DESTRUCTION POLICY**

POLICY NO. 600-043842-9

DECLARATIONS

1. Name of Insured: **Trendmaker Homes North Condominium Association, Inc.**

(herein called the Insured)

Principal Address: **100 Craig Road, Freehold, NJ 07728**
(No., Street, City, County, State, Zip)

2. Policy Period: from 12:01 a.m. on **August 19, 1985** to 12:01 a.m. on the effective date of cancelation or termination of this
(month, day, year)

Policy, standard time at the Principal Address as to each of said dates.

3. Table of Limits of Liability		
uring Agreement	I Employee Dishonesty Coverage-Form <input checked="" type="checkbox"/> A <input type="checkbox"/> B	\$ 75,000.00
uring Agreement	II Loss Inside the Premises Coverage	\$ NIL
uring Agreement	III Loss Outside the Premises Coverage	\$ NIL
uring Agreement	IV Money Orders and Counterfeit Paper Currency Coverage	\$ NIL
uring Agreement	V Depositors Forgery Coverage	\$ NIL
d by endorsement:		
uring Agreement		\$ NIL
uring Agreement		\$ NIL
uring Agreement		\$ NIL
uring Agreement		\$ NIL
uring Agreement		\$ NIL

4. The liability of the Company is subject to the terms of the following endorsements attached hereto: **46, 105A, 195**

5. The Insured by acceptance of this Policy gives notice to the Company terminating or canceling prior bond(s) or policy(ies) No.(s) **N/A**
such termination or cancelation to be effective as of the time this Policy becomes effective.

The North River Insurance Company
COMPANY NAME

Countersigned By Charles R. Van Buskirk
Charles R. Van Buskirk Authorized Representative

ENDORSEMENT 46

Edition of December, 1983

To be attached to and form part of Policy No. 600-043842-9

issued to Trendmaker Homes North Condominium Association, Inc.

SCHEDULE**Insuring Agreements in the Policy**Employee Dishonesty (Form A)
Employee Dishonesty (Form B)
Loss Inside the Premises**Deductible Amount**\$ 1,000.00 (per loss)
\$ N/A (per employee)
\$ N/A ☐ Check if not to apply to
loss by Safe Burglary
or Robbery
☐ Check if not to apply to
loss by Robbery

Loss Outside the Premises

\$ N/A

Money Orders and Counterfeit Paper Currency
Depositors Forgery

\$ N/A

\$ N/A (aggregate)

Other Insuring Agreements Added by EndorsementBurglary of Merchandise
Burglary and Theft of MerchandiseSection A
Section B

\$ N/A

\$ N/A

\$ N/A

(Replaces the \$50 deductible
otherwise applicable)

Computer Fraud

\$ N/A

\$ N/A

\$ N/A

\$ N/A

It is agreed that:

1. The Company shall not be liable under any Insuring Agreement listed in the Schedule opposite which a deductible amount is entered except for that part of any loss which is excess of the deductible amount, subject to the limit of the Company's liability under any such Insuring Agreement.

2. Section 10 is deleted and the following inserted:

"Section 10. If the Insured shall sustain any loss covered by this Policy to which a deductible amount applies and such loss exceeds the applicable amount of insurance hereunder plus such deductible amount, the Insured shall be entitled to all recoveries made after payment by the Company of loss covered by this Policy (except from suretyship, insurance, re-insurance, security or indemnity taken by or for the benefit of the Company) by whomsoever made, less the actual cost of effecting such recoveries, until reimbursed for such excess loss; and any remainder, or, if there be no such excess loss, any such recoveries shall be applied first in reimbursement of the Company and thereafter in reimbursement of the Insured for that part of such loss within such deductible amount."

3. When coverage is afforded under the Employee Dishonesty or Computer Fraud Insuring Agreements, the Insured shall, as prescribed in the policy, give the Company notice of loss of the kind covered by these agreements whether or not because of the application of this endorsement the Company is liable for the loss of or any part of it. Upon the request of the Company, the Insured will provide the Company with a brief description of the loss.

4. This endorsement is effective as of 12:01 a.m. on August 19, 1985 Standard Time as specified in the Policy.

Accepted:

The North River Insurance Company

By: Charles R. Van Buskirk
Charles R. Van BuskirkAuthorized
Representative

COMPREHENSIVE 3-D - BLANKET CRIME POLICIES
FOR 3-D AND BLANKET CRIME POLICIES TO PROVIDE A DEDUCTIBLE AMOUNT
UNDER ANY INSURING AGREEMENT EXCEPT EXTORTION. THIS ENDORSEMENT
CANNOT BE USED TO PROVIDE A REGULAR DEDUCTIBLE UNDER DEPOSITORS
FORGERY

SR 6136 Printed in U.S.A.

ENDORSEMENT 185

Edition of June, 1976

To be attached to and form part of Policy No. 600-043842-9

sued to Trendmaker Homes North Condominium Association, Inc.

It is agreed that with respect to:

1. The Comprehensive Dishonesty, Disappearance and Destruction Policy, the "Cancellation of Policy or Insuring Agreement" Condition is amended as follows:

a. The second sentence of the first paragraph is replaced by the following sentences:

This Policy or any Insuring Agreement may be canceled by the Company for failure to pay any premium when due by mailing to the Insured at the address shown in this Policy written notice stating when not less than ten days thereafter such cancellation shall be effective. With respect to cancellation for a reason other than non-payment of premium, this Policy or any Insuring Agreement may be canceled by the Company by mailing to the Insured at the address shown in this Policy written notice stating when not less than thirty days thereafter such cancellation shall be effective.

b. Add the following as the last paragraph:

If the Company elects not to renew this Policy or any Insuring Agreement, it shall mail to the Insured written notice of such nonrenewal, not less than thirty days prior to the expiration date. The mailing of notice as aforesaid shall be sufficient proof of notice. Delivery of such written notice by this Company shall be equivalent to mailing.

2. The Blanket Crime Policy, the "Cancellation of Policy" Condition is amended as follows:

a. The second sentence of the first paragraph is replaced by the following sentences:

This Policy may be canceled by the Company for failure to pay any premium when due by mailing to the Insured at the address shown in this Policy written notice stating when not less than ten days thereafter such cancellation shall be effective. With respect to cancellation for a reason other than non-payment of premium, this Policy may be canceled by the Company by mailing to the Insured at the address shown in this Policy written notice stating when not less than thirty days thereafter such cancellation shall be effective.

b. Add the following as the last paragraph:

If the Company elects not to renew this Policy, it shall mail to the Insured written notice of such nonrenewal, not less than thirty days prior to the expiration date. The mailing of notice as aforesaid shall be sufficient proof of notice. Delivery of such written notice by this Company shall be equivalent to mailing.

The North River Insurance Company

COMPREHENSIVE 3-D - BLANKET CRIME POLICIES
TO COMPLY WITH NEW JERSEY REQUIREMENTS.
SR 6018 Printed in U.S.A.

By: Charles R. Van Buskirk
Charles R. Van Buskirk Authorized
Representative

ENDORSEMENT 105A

Revised to May, 1957

To be attached to and form part of Policy No. 600-043842-9

issued to Trendmaker Homes North Condominium Association, Inc.

It is agreed that:

1. Each natural person, partnership or corporation duly appointed by the Insured to act as its agent in the capacity of

Property Manager

shall, while acting on behalf of the Insured or while in possession of Money, Securities or other property belonging to the Insured or in which the Insured has an interest, be deemed to be an Employee as used in Insuring Agreement I. Each such agent and the partners, officers and employees of such agent shall, collectively, be deemed to be one Employee for all the purposes of Insuring Agreement I, excepting, however, Sections 7 and 15.

2. The coverage of Insuring Agreement I shall not apply to any person, who is a partner, officer or employee of any agent covered under such Insuring Agreement, from and after the time that the Insured or any partner or officer thereof not in collusion with such person shall have knowledge or information that such person has committed any fraudulent or dishonest act in the service of the Insured or otherwise, whether such act be committed before or after the time Insuring Agreement I is effective.

3. The liability of the Company under Insuring Agreement I on account of any loss through fraudulent or dishonest acts committed by any natural person, partnership or corporation deemed to be an Employee in accordance with paragraph 1 of this endorsement, or in which such Employee is concerned or implicated, shall not exceed, in the aggregate, the sum of Seventy Five Thousand and 00/100 --- Dollars (\$75,000.00);

It being understood, however, that such liability shall be a part of and not in addition to the amount of insurance applicable to Insuring Agreement I, subject nevertheless to Section 11.

4. Insuring Agreement I as amended by this endorsement does not afford coverage in favor of any agent, as aforesaid, and upon payment to the Insured by the Company on account of any loss through fraudulent or dishonest acts committed by any of the partners, officers or employees of such agent whether acting alone or in collusion with others, an assignment of such of the Insured's rights and causes of action as it may have against such agent by reason of such acts so committed shall, to the extent of such payment, be given by the Insured to the Company, and the Insured shall execute all papers necessary to secure to the Company the rights herein provided for.

5. Insuring Agreements II and III shall not apply to loss due to any fraudulent, dishonest or criminal act, other than Safe Burglary, Robbery or attempt thereat covered under Insuring Agreement II or other than Robbery or attempt thereat covered under Insuring Agreement III, committed by any of the agents mentioned in paragraph 1 of this endorsement or by the partners, officers or employees of such agents, whether acting alone or in collusion with others.

6. This endorsement is effective as of ~~000000~~ 12:01 a.m. on August 19, 1985 standard time as specified in the Policy.

The North River Insurance Company

Accepted:

By: Charles R. Van Buskirk
Charles R. Van Buskirk Authorized
Representative

COMPREHENSIVE 3-D POLICY - FORM A ONLY
TO COVER AS EMPLOYEES UNDER INSURING AGREEMENT I, IN FULL OR
PARTIAL AMOUNT, DESIGNATED CLASSES OF AGENT OF THE INSURED
AND THE PARTNERS, OFFICERS AND EMPLOYEES OF SUCH AGENT.

SR 5334b Printed in U.S.A.

EXHIBIT 3

Agreement of Sale

Trendmaker Homes North at Quailbrook

by CALTON HOMES

100 CRAIG ROAD, FREEHOLD, N.J. 07728

"THIS IS A LEGALLY BINDING CONTRACT THAT WILL BECOME FINAL WITHIN THREE BUSINESS DAYS. DURING THIS PERIOD YOU MAY CHOOSE TO CONSULT AN ATTORNEY WHO CAN REVIEW AND CANCEL THE CONTRACT. SEE SECTION ON ATTORNEY REVIEW FOR DETAILS. THIS STATEMENT IS REQUIRED BY LAW AND DOES NOT AFFECT ANY OTHER RIGHTS OF CANCELLATION WHICH YOU ARE GIVEN UNDER THIS CONTRACT."

Agreement of Sale

TRENDMAKER HOMES NORTH AT QUAILBROOK, BY CALTON HOMES

☐ ORIGINAL ☐ RE-WRITE ☐ TRANSFER SUB/SEQ _____

The undersigned, hereinafter referred to as "Buyer" hereby offers and agrees to purchase the real property described below and upon the terms and conditions as set forth below and on the attached pages. (Additional Terms and Conditions, Paragraphs 1 - 39).

Municipality FRANKLIN TOWNSHIP County SOMERSET Property Address (if known) _____

Unit # _____ Percentage Interest in Common Elements 8333 Plan _____ Elev. _____

Business Phone: Buyer _____ Co-Buyer _____

Buyer _____ Home Phone _____

Co-Buyer _____ Relationship _____

Present Address _____

Present Home To Sell Yes ☐ No ☐ (Seller reserves the right not to accept contingency sales) To Be Owner Occupied Yes ☐ No ☐

BASE PRICE \$ _____ ESTIMATED CLOSING DATE: _____

PREMIUM LOT _____

OPTIONS: _____

TOTAL PRICE _____

TERMS _____

CASH OR CHECK AT SIGNING OF THIS AGREEMENT \$ _____

CASH OR CERTIFIED CHECK TO BE PAID ON OR BEFORE _____ 19 _____ \$ _____

ADDITIONAL DEPOSIT DUE _____ \$ _____

CASH OR CERTIFIED CHECK AT TIME OF SETTLEMENT \$ _____

MORTGAGE LOAN REQUIRED BY BUYER: _____

TYPE _____ AMOUNT \$ _____

INTEREST RATE _____

YEARS _____

TOTAL PRICE \$ _____

OTHER CONDITIONS: ALL AGREEMENTS MUST BE IN WRITING. VERBAL REPRESENTATIONS ARE INVALID AND NON-BINDING.

Buyer acknowledges that Seller has provided Buyer with a copy of the Public Offering Statement for the Development as currently registered with the New Jersey Department of Community Affairs.

NOTICE TO THE PURCHASER: YOU HAVE THE RIGHT TO CANCEL THIS CONTRACT OR AGREEMENT BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO THE DEVELOPER BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DATE IT WAS EXECUTED. SUCH CANCELLATION IS WITHOUT PENALTY, AND ALL MONIES PAID SHALL BE PROMPTLY REFUNDED.

OWNERSHIP AND OCCUPANCY OF UNITS IN THE CONDOMINIUM BY INITIAL PURCHASERS FROM THE SPONSOR ARE LIMITED TO HOUSEHOLDS MEETING CERTAIN INCOME CRITERIA. PROSPECTIVE PURCHASERS ARE DIRECTED TO SECTION 2 OF THE PUBLIC OFFERING STATEMENT FOR A DISCUSSION OF THIS RESTRICTION.

Witness our hand this _____ day of _____, 19 _____

_____ Buyer _____ Buyer

_____ Witness

The within offer is hereby accepted this _____ day of _____, 19 _____ subject to the herein stated terms and conditions.

CALTON HOMES
WE BUILD FUTURES

By _____
Calton Homes, Inc.

ADDITIONAL TERMS AND CONDITIONS

TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES

- (1) If page 1 of this Agreement indicates that the Buyer desires to obtain a mortgage loan in order to pay part of the purchase price, this Agreement shall be contingent upon the Buyer's ability to obtain such a loan, subject to the terms of this paragraph 1.

Within ten (10) days of the Buyer's receipt of written notice that the Seller has commenced or is about to commence construction of the dwelling, the Buyer shall apply to an institutional lender of the Buyer's choice for a mortgage loan, in the amount set forth on page 1, upon the generally prevailing terms for single family mortgage loans offered by lenders in New Jersey on the date of application. The Seller will be supplied with a copy of the application within that period. Failure of the Buyer to make application or supply a copy to the Seller in a timely fashion will be an event of default hereunder.

If the Buyer has not received a mortgage commitment within forty-five (45) days of the date of initial application, or has been denied a mortgage loan during the forty-five (45) day period, on the basis of the initial or any other application, the Buyer will so notify the Seller in writing within five (5) days of the expiration of the application period. Failure of the Buyer to so notify the seller will constitute a waiver of this contingency by the Buyer.

Upon receipt of such notice, the Seller will notify the Buyer of the Seller's option either: (a) to extend the application period for up to forty-five (45) additional days; or (b) to terminate this agreement; or (c) to require the Buyer to apply for a mortgage loan from a lender designated by the Seller. If the Buyer receives notice that alternative (c) applies, the Buyer will apply to the designated lender for a loan at prevailing rates upon such repayment terms as the Buyer will qualify for within five (5) days of receipt of such notice and will provide the Seller with a copy of the application within that period.

If the Buyer has not received a commitment within the extended application period from the lender designated by the Seller, the Buyer will so notify the Seller in writing within five (5) days of the expiration of the application period. The notice will specify whether the Buyer elects to terminate this Agreement or waives this contingency. Failure of the Buyer to so notify the Seller of the Buyer's election to terminate will constitute a waiver of this contingency by the Buyer.

The Buyer will make best efforts to obtain a mortgage loan and will fully cooperate with any applicable lender and promptly provide any requested documents and financial information necessary to approve Buyer's mortgage loan. The Buyer will be solely responsible for any fees, charges or deposits of any kind or description imposed by a lender as a condition of considering an application, issuing or extending a commitment or closing a loan. If a lender issues a commitment, the Buyer will accept the commitment and will promptly sign all documents, fulfill all conditions and otherwise comply with any directions issued by the lender. If the Buyer fails to accept a commitment or fulfill any conditions contained in a commitment or comply with the lender's directions, the Buyer will be in default hereunder. Upon the Buyer's receipt of a commitment, conditional or unconditional, this contingency will be deemed fully satisfied. The Buyer will be solely responsible to ensure that the commitment is in effect on the closing date and will pay any additional fees or charges and consent to any modifi-

ADDITIONAL TERMS AND CONDITIONS

TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES

cation of the terms of the commitment if required by the lender as a condition of permitting any necessary extension of the commitment.

If this Agreement is properly terminated as provided in this paragraph 1, the Seller will promptly refund all deposit monies paid, whereupon neither party will be under any further obligation to one another pursuant to this Agreement.

The Buyer understands that the Buyer must satisfy the applicable lender's criteria as to creditworthiness and the Seller will have no liability if the Buyer does not qualify for a mortgage loan. If a commitment is issued, this contingency will be deemed satisfied notwithstanding subsequent withdrawal of the commitment because the Buyer's creditworthiness becomes unacceptable to the lender.

The Buyer has no other rights or obligations of waiver implied in this Agreement except as expressly stated herein or as may be agreed to in writing by seller.

There are no specific or implied rights of waiver in this Agreement that permit the Buyer to offer cash for the total sales price in lieu of a mortgage if there is an event of mortgage denial as stated above, except as may be permitted in writing by the seller.

- (2) If this sale is financed by a FHA insured loan, it is expressly agreed that, notwithstanding any other provisions of this contract, the Buyer shall not be obligated to complete the purchase of the property described herein or to incur any penalty by forfeiture of earnest money deposited or otherwise unless the Seller has delivered to the Buyer a written statement issued by the Federal Housing Commissioner setting forth the appraised value of the property for mortgage insurance purposes of not less than the purchase price stated herein, which statement the Seller hereby agrees to deliver to the Buyer promptly after such appraised value statement is made available to the Seller. The buyer shall, however, have the privilege and option of proceeding with the consummation of this Agreement without regard to the amount of the appraised valuation made by the Federal Housing Commissioner.
- (3) If this sale is financed by a VA insured loan, it is expressly agreed that, notwithstanding any other provisions of this contract, the Buyer shall not incur any penalty by forfeiture of earnest money or otherwise or be obligated to complete the purchase of the property described herein, if the contract purchase price or cost exceeds the reasonable value of the property established by the Veterans Administration. The Buyer shall, however, have the privilege and option of proceeding with the consummation of this Agreement without regard to the amount of the reasonable value established by the Veterans Administration.
- (4) Seller agrees to place deposits or down payments received from the Veteran Buyer in a special trust account as required by 38 USC 1806.
- (5) Buyer represents that he has sufficient cash available (together with the mortgage or mortgages referred to) to consummate the within transaction.
- (6) Should Buyer fail to make payment of any additional monies as herein mentioned, or furnish false or incomplete information to the Seller, the Seller's agent, or the mortgage lender, concerning the Buyer's legal or financial status, or fail to cooperate in the processing of the mortgage loan application, which acts would re-

ADDITIONAL TERMS AND CONDITIONS
TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES

sult in the failure to obtain the approval of a mortgage commitment, or fail to comply with any of the terms of this Agreement, then the Buyer shall be in default under this Agreement and the Seller may cancel this Agreement and recover as liquidated damages an amount equal to ten (10%) percent of the total contract price, plus the costs of all extras actually installed. In the event of a default, the Seller may retain the defaulting purchaser's deposit up to the amount of the liquidated damages. If the deposit is less than the amount the Seller is entitled to recover, the Seller may institute suit for the balance. If the deposit exceeds the liquidated damages the Seller is entitled to recover, the Seller will refund the difference to the purchaser without interest, within a reasonable time after the Agreement of Sale is cancelled by the Seller.

- (7) If Seller's cost of construction is increased between the date of this Agreement and the date of closing, Seller shall have the right by written notice to Buyer given prior to closing to increase the purchase price set forth herein to reflect such increase and Buyer shall have only the option of (a) accepting the new purchase price or (b) cancelling this Agreement and receiving the return of all deposits hereunder, with both Seller and Buyer released from all obligations under this Agreement. Seller shall notify Buyer of the new purchase price in writing by certified or registered mail and if the Buyer does not notify Seller of its acceptance of the revised purchase price within ten (10) days after notice is sent, Buyer will be deemed to have cancelled this Agreement and the deposits shall be refunded. The Seller will give at least sixty (60) days notice of any such price increase. In the event any price increase takes place less than 60 days prior to the estimated closing date established under this Agreement and the Buyer elects to proceed with the Agreement, the estimated closing date will be deferred to a date not less than 60 days after notification is given to the Buyer under this paragraph. Any price increase will be based upon increased cost of labor and materials according to the percentage increase, between the first day of the month of the execution of this Agreement, and the first day of the month of anticipated delivery, in the labor and materials price index published by the Bureau of Statistics of the U. S. Department of Labor.
- (8) Seller reserves the right to substitute materials, fixtures, equipment and appliances of substantially equal quality as those specified in the plans and specifications and/or any standard items displayed in the model homes. Seller further reserves the right to make changes in construction as may be required from time to time by any lender making loans on the Property or the Development, by an entity or agency insuring, guaranteeing or purchasing loans or assisting in the financing of the Property or the Development, by any governmental law or regulation, by labor or material shortages or stoppages, or by emergencies involving the national defense.
- (9) Seller shall not be held responsible for and is hereby released from all loss, liability or expense by reason of any delay in completion due to inclement weather, fire, storm or other casualty, strikes, lockouts or other labor disputes affecting either Seller or any of Seller's suppliers of material or labor, delay in issuance of permits, acts of war, emergency proclamation, governmental regulations, and any delay not due to any fault of Seller. (See Paragraph 29)

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- (10) If the construction has not begun at the time Seller executes this Agreement, construction shall commence at a reasonable time after approval of Buyer's loan and Seller shall exercise its best efforts to complete the same within twelve (12) months thereafter, weather, labor and material conditions permitting, and if the residence is not completed within said twelve-month (12-month) period, Buyer's deposit will be refunded on Buyer's demand, and this Agreement shall become null and void.
- (11) Unless already chosen by Seller as of date Buyer executes this Agreement, Buyer shall make the color and optional item selections from the choices provided by Seller within five (5) calendar days after Seller's request therefor. Said selections shall be final. In the event Buyer does not make said selections within said five-day (5-day) period, Seller shall have the right to make such selection for the Buyer. If a color chosen is unavailable, Seller may substitute a color compatible with the general color scheme.
- (12) It is understood that no changes in construction ordered by Buyer will be made unless authorized in writing by the Buyer and approved by the Seller at a cost agreed upon and approved by the Seller in writing. The cost of any such changes requested by the Buyer will be paid in cash by the Buyer prior to the commencement of such changes. Seller may, at Seller's option, require additional deposit money to be paid under this Agreement in the event that the Seller agrees to any such changes in construction requested by Buyer.
- (13) Loss or damage to the said premises by fire, storm or other casualty between the date hereof and settlement hereunder shall not void or impair this Agreement, but all loss by way of fire, storm or other casualty is to be the responsibility of the Seller. (See Paragraph 29)
- (14) If the terms of this Agreement do not comply with existing or future regulations, restrictions and conditions of the Federal, State or Municipal Governments or any agency thereof, Seller, at its option, may cancel this Agreement by returning to the Buyer the sum or sums paid on account of the purchase price, without interest, and this Agreement shall thereupon become cancelled, null and void, and Seller shall have no further liability whatsoever to the Buyer.
- (15) The closing of the sale shall occur upon five (5) days notice by Seller to the Mortgagee that Seller is prepared to close and (a) Buyer's mortgage has been approved or (b) if no mortgage has been requested, the construction of the residence has been substantially completed. The notice of closing shall specify the date and place for closing. Buyer agrees that upon notification thereof, Buyer shall appear at time and place designated by Seller for the purposes of closing and shall produce and execute all documents and deposit all funds necessary to consummate the within transaction. It is specifically agreed that the closing of the mortgage or delivery of possession shall under no circumstances be delayed due to any uncompleted outside work. Any fluctuation in the interest rate between the time Buyer obtains approval for such mortgage and the closing of the sale shall not relieve Buyer of any obligations hereunder unless the mortgage loan for which Buyer obtains approval is a VA or FHA loan and such fluctuation renders the loan ineligible for VA guaranty or FHA insurance.

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- (16) Title to the premises is to be good and marketable and such as will be insured at regular rates by First American Title Insurance Co. or any other responsible title insurance company doing business in the State of New Jersey. The premises shall be conveyed free and clear of all liens and encumbrances except (a) existing restrictions, conditions and easements, if any, (b) restrictions, conditions, easements, if any, required to be placed on the premises by Federal Housing Administration or any other Federal, State or Municipal Agency, (c) restrictions, conditions, easements created by or on behalf of Seller at or prior to settlement hereunder (d) zoning ordinance and any other act or ordinance affecting the use of, and improvements to, said premises, (e) agreements with telephone, gas, water, electric and other public utility companies, (f) easements with respect to public or private sewers, storm sewers or surface water courses, (g) added assessments under N.J.S.A. 54:4-63.1, (h) facts which an accurate survey would reveal, (k) any other exception referred to in the Public Offering Statement, the Declaration of Covenants and Restrictions, Certificate of Incorporation, and By-Laws of the Trendmaker Homes North Condominium Association, Inc.
- (17) The Seller agrees to pay all costs and assessments for all off-site improvements included in the plans and specifications or commenced or completed at the time of settlement.
- (18) Taxes, water and sewer charges, property rentals and other current charges shall be adjusted as of the date of settlement, unless possession be given prior thereto, in which case all such adjustments shall be made as of the date of delivery of possession.
- (19) Seller agrees to deliver at closing an adequate Affidavit of Title, an Affidavit of Consideration or Exemption, corporate resolution, a Certificate of Occupancy, appropriate new homeowner's warranty forms, and a Bargain and Sale Deed with covenants against grantor's acts.
- (20) The Seller shall pay for the drawing of the deed and realty transfer fee thereon, if any be necessary, but all searches, title insurance, mortgage application and processing expenses and other expenses of conveyance are to be paid for by the Buyer. If a survey is requested by Buyer, Buyer agrees to accept and pay for final survey in the amount of \$150.00 to be ordered by Seller from a licensed surveyor.
- (21) Possession of the subject property shall be delivered to Buyer when closing has occurred and a Certificate of Occupancy has been issued. Buyer may not enter the subject property prior to the pre-closing inspections without the written permission of Seller and any unpermitted entry shall be a default under this Agreement. In the event Buyer enters the subject property with the Seller's permission, Buyer acknowledges and agrees that Buyer is doing so at Buyer's own risk. Possession will be given by deed upon completion of final settlement and full payment of the balance of the money called for under this Agreement and any supplementary agreement covering extras, changes, etc., together with all settlement charges. Agreements between Buyer and Seller as to items to be completed after settlement shall survive settlement, but as to other matters settlement shall be final. Issuance of a Certificate of Occupancy by the municipality in which the subject property is located shall be accepted by the parties hereto as conclusive evidence that the residence and other improvements have been completed according to the plans and specifications therefor.

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(22) Within twenty-four (24) hours prior to closing of title, Buyer shall perform a pre-closing inspection of the premises with the Seller or Seller's representative during normal business hours, at which time a list of items requiring completion, adjustment or repair will be compiled and signed by both Buyer and Seller. Seller agrees to complete the items on said list within a reasonable time thereafter.

(23) The Seller agrees to give the Buyer certain warranties concerning the construction of the residence and improvements to the Common Property as follows:

(1) The Seller warrants the construction of the residence in accordance with the provisions of the New Jersey New Home Warranty and Builders' Registration Act, N.J.S.A. 46:3B-1 et seq. The Seller will enroll the residence in an approved warranty security plan at or promptly after closing. The Seller will pay all requisite fees and premiums for enrollment and coverage, provided that the Buyer will be responsible for any deductibles which are a part of the warranty security plan.

(2) The Seller warrants that any outbuildings, driveways, walkways, patios, retaining walls and fences installed by the Seller and constituting a part of the residence will be free from substantial defects due to faulty materials or workmanship for a period of one year from the date of closing or the date of possession, whichever first occurs.

(3) The Seller warrants that drainage of surface water runoff is proper and adequate.

(4) The Seller warrants that all off-site improvements installed by the Seller in constructing the Development will be free from defects due to faulty materials or workmanship for a period of one year from construction of the improvement(s).

(5) The Seller warrants that the residence is fit for its intended use.

(6) The Seller warrants that improvements to the Common Property in the Development or common facilities installed or constructed by the Seller will be free from substantial defects due to faulty materials or workmanship for a period of one year from construction of each improvement or facility.

(7) The Seller warrants that improvements to the Common Property in the Development or common facilities installed or constructed by the Seller are fit for their intended use, and that the Seller will correct any defect within a reasonable time after notification of the defect. This warranty will constitute the sole obligation of the Seller to the Buyer and owners of residences with respect to the improvements to the Common Property and common facilities. When the Seller has surrendered control of the Association's Board of Directors to Owners other than the Seller, the Association will be obligated to remedy any obligation of the Seller with respect to the Common Property. The Buyer will have no right or right of action against the Seller with respect to the Common Property after that surrender of control.

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(8) The Seller warrants that the residence and Common Property will substantially conform to the sales models, descriptions or plans used to induce the Buyer to sign this Agreement, unless otherwise provided in this Agreement.

(9) At the closing, the Seller will assign to the Buyer any unexpired warranties issued by the manufacturers or suppliers of appliances, equipment or other personal property installed in or sold with the residence. The Seller does not independently warrant any such appliance, equipment or other personal property except to the extent required under sub-paragraph 1 of this Paragraph 23.

The Seller expressly disclaims any implied warranty or warranty arising by virtue of law with respect to the residence; or anything contained in the residence, or which would otherwise arise by virtue of the making of this Agreement. This means that the only warranties which are given by the Seller to the Buyer are those listed above. By signing this agreement, the Buyer acknowledges and agrees to the following statements:

(a) That the Seller is not obligated to repair or replace any part of the subject premises unless it is covered by one of the warranties listed above;

(b) That the Seller has not made any promises or representations as to the condition of the subject premises except in this Paragraph 23;

(c) That the Seller has not authorized anyone else to make any promise or representation as to the condition of the subject premises, or to vary the provision of this Paragraph 23; and

(d) That the furniture, decorations or upgraded appliances in the sales models are for display purposes only and are not included in the sale of the residence unless separately agreed in writing.

The Seller also expressly disclaims liability for any consequential damages arising out of any breach of warranty. This means that the Seller will not be responsible if any person suffers an injury or other property is damaged because of a defect in any warranted item. By signing this Agreement, the Buyer agrees that the Seller will not be liable for consequential damages.

- (24) Buyer acknowledges there are no implied warranties of merchantability and fitness for any purpose except those express warranties set forth in the warranty security plan referred to in paragraph 23(1).
- (25) After settlement, Seller shall have no responsibility for the continued life or removal of any of the Common Elements. Seller shall not be required to well trees or erect retaining walls.
- (26) The Common Elements will be graded in accordance with Seller's grading plan and the natural topographic relief to provide flow of surface waters. Modifications to plan may take place at Seller's discretion in order to preserve existing vegetation.

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- (27) Buyer expressly agrees not to assign, sell or in any manner transfer this Agreement or any right, title or interest therein without first obtaining the written consent of the Seller thereto. It is further agreed that no assignment, sale or transfer by Buyer of this Agreement or any right, title or interest therein shall be valid nor shall it be recognized by Seller unless written consent thereto is endorsed by Seller on Buyer's copy of this Agreement. This Agreement shall not be recorded in the Office for the Recording of Deeds or in any other office or place of public record and if Buyer shall record this Agreement or cause or permit the same to be recorded, Seller may, at his option, elect to treat such act as a breach of this Agreement.
- (28) At the time that the Buyer signs this Agreement, he must present the Seller with his Federal Income tax returns (form 1040 or equivalent) for the past three (3) years. This requirement is imposed so that Seller may ascertain whether the Buyer meets the moderate income requirements which are set forth in the Public Offering statement and which are mandated by the Township of Franklin's approvals for the Condominium. Buyers are directed to the Public Offering Statement for a complete explanation of the moderate income restrictions. If the Seller determines that the Buyer does not meet the moderate income criterion, it will not sign or accept the Buyer's signed Agreement, at which time Buyer's deposit held by Seller will be promptly refunded to the Buyer; this Agreement will be deemed terminated at that time, and all rights and obligations of the parties to each other will cease.
- (29) This Agreement supersedes all prior Agreements between the parties hereto. There are no collateral understandings, representations or agreements other than those contained herein or added by written instrument attached hereto, duly executed by Buyer and Seller. No salesman, employee or agent or seller has any authority to modify the terms hereof, or to make any agreements, representations or promises which might postpone, limit, modify or extinguish the terms hereof. No agreement or representation has been made by Seller, its agents or representatives to obtain any loan for Buyer or to guarantee the Buyer will secure any loan.
- (30) If the Seller is not able, for reasons beyond its control, to deliver the Deed on the date set for closing, the Seller may postpone the closing for up to six (6) months. To exercise this right, prior to the anticipated date of closing, the Seller must notify the Buyer in writing that the closing has been postponed. If, after this period has expired, the Seller is still unable to deliver a Deed for reasons beyond its control, either party may terminate this Agreement by so notifying the other party in writing. If this Agreement is terminated the Seller will promptly return to the Buyer all deposit monies paid under this Agreement without interest. The Seller will also reimburse the Buyer for the expenses of title searches or surveys which the Buyer has incurred if the Buyer produces adequate proof that the Buyer has paid or been charged these expenses. When the Seller returns the deposit monies and makes any applicable reimbursement to the Buyer, neither the Buyer nor the Seller will have any further rights or obligations under this Agreement.

The Buyer agrees that if the Seller postpones and/or terminates this Agreement under this Paragraph, the Seller will not be responsible for any expenses which the Buyer might incur as a result of the delay or termination. Those expenses will include, but not be limited to storage of the Buyer's furniture or other personal property and substituted housing.

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- (31) Upon closing of title, Buyer will become a member of the Condominium Association for Trendmaker Homes North at Quailbrook by Calton Homes, a Condominium. Buyer will be a member of the Association for as long as Buyer owns the Unit, and will abide by the Association's By-Laws and any Rules and Regulations that may from time to time be promulgated by the Association and its Board of Directors. The Unit, and Buyer's membership in the Association are subject to all of the terms of the Master Deed which the Seller has or will have recorded for the Condominium, the Association's Certificate of Incorporation, By-Laws and Rules and Regulations (all of which documents are referred to collectively in this Agreement as the "Constituent Documents"). The Constituent Documents and their exhibits set forth the rights and obligations of Buyer, the Association and other Unit owners when Buyer owns the Unit. Any amendments to the Constituent Documents which are now or hereafter lawfully made will also be binding on Buyer. Copies of the Constituent Documents are reproduced in the Public Offering Statement.
- (32) At the time of closing, Buyer and Seller will adjust maintenance charges for the month of closing unless provided to the contrary in the Public Offering Statement for the Development. Buyer will also pay to the Association a non-refundable contribution to working capital equal to two (2) months Common Charges for the Unit, and deposit an additional two (2) months Common Charges to be held in escrow to be applied if there is a default by Buyer in the payment of monthly Common Charges.
- (33) All deposit monies or other sums paid by Buyer to Seller prior to closing will be held in escrow by Robert E. Linkin, Esq. in a trust account maintained at Midlantic National Bank/Merchants, 50 Highway 9, Englishtown, New Jersey, 07726. At the option of Seller, this account may bear interest, with interest to accrue to the benefit of Seller. Such monies shall remain in escrow until closing or earlier termination of this Agreement, or unless Seller provides a bond or other guarantee acceptable to the Department of Community Affairs. In no event, however, shall the escrow be released in any manner before the expiration of the seven day rescission period set forth herein.
- (34) If Seller defaults under the terms of this Agreement, Buyer's sole remedy shall be to terminate this Agreement whereupon Seller shall promptly refund all deposit monies paid, together with the costs of title examination and survey actually incurred by Buyer, if any. Upon Buyer's receipt of this refund, neither party shall be under any further obligation to the other.
- (35) In addition to the Unit constructed or to be constructed thereon, Buyer will acquire a undivided percentage interest in the Common Elements of the Condominium. The Common Elements will be managed, operated and maintained by the Association for the benefit of all owners of Units in the Development. The funds necessary to operate and repair Units and Common Elements (as well as other common expenses and the cost of services provided by the Association) are obtained by the Association through the Common Charge Assessments which are paid by the Unit Owners. When Buyer is the Owner of the Unit, Buyer will be entitled to use the Common Elements, which are basically the portion of the buildings that are not Units, the parking areas and other open space on the Condominium Property, whether improved or unimproved, for the purposes for which it is intended. This right is governed by and subject to the Association's By-Laws and Rules and Regulations. Buyer should consult

TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES

the Public Offering Statement for limitations and restrictions which are imposed or exist upon the use and availability of the Common Elements.

(36) Buyer agrees that at the time of closing, Buyer will execute the Deed appointing Seller as Buyer's attorney-in-fact for the purposes of amending the Constituent Documents without Buyer's prior consent if required by an institutional lender making mortgage loans to purchasers, the title insurance company selected to insure title or a governmental or quasi-governmental agency, so long as any such amendment neither increases the financial obligation of Buyer under the Constituent Documents nor reserves any additional special privileges to Seller under the Constituent Documents. Buyer acknowledges that this power of attorney is coupled with an interest in the subject matter. If Seller requests, Buyer will sign a separate power of attorney without charge, but at no cost or expense to Buyer.

(37) The balance of the purchase price due at closing (and any additional deposits due on account of extras or options requested by Buyer) will be paid in cash or by certified funds. "Certified funds" means a check of the Buyer which has been certified by Buyer's bank and may not be stopped. It also means a cashier's, treasurer's or official bank check which the bank has drawn on itself. It does not mean an attorney's trust account check or a check drawn by a bank on an account which it maintains with another bank.

(38) If Buyer was introduced to Seller by a real estate broker or salesperson with whom Seller has signed a listing agreement (or who is a member of a multiple listing system in which the Unit has been entered by Seller), Seller will be responsible for the commission or fee of a broker or salesperson. The Buyer understands that if any other broker or salesperson (except an employee of Seller) asserts that a commission or fee is due for assistance given to the Buyer, the Buyer will be responsible for that commission or fee. The Buyer will also be required to pay the Seller's attorney fees if such a broker or salesperson sues the Seller because of an action of the Buyer.

(39) ATTORNEY REVIEW:

a. Study by Attorney

The Buyer or the Seller may choose to have an attorney study this Agreement. If an attorney is consulted, the attorney must complete his or her review of the Agreement within a three-day period. This Agreement will be legally binding at the end of this three-day period unless an attorney for the Buyer or the Seller reviews and disapproves of the Agreement.

b. Counting the Time

You count the three days from the date of delivery of the signed Agreement to the Buyer and the Seller. You do not count Saturdays, Sundays or legal holidays. The Buyer and the Seller may agree in writing to extend the three-day period for attorney review.

c. Notice of Disapproval

If an attorney for the Buyer or the Seller reviews and disapproves of this Agreement, the attorney must notify the Broker(s) and the other party named in this Agreement within the three-day period.

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Otherwise this Agreement will be legally binding as written. The attorney must send the notice of disapproval to the Broker(s) by certified mail, by telegram, or by delivering it personally. The telegram or certified letter will be effective upon sending. The personal delivery will be effective upon delivery to the Broker's office. The attorney may also, but need not, inform the Broker(s) of any suggested revisions in the Agreement that would make it satisfactory.

d. Other Rights of Cancellation

The provisions of subparagraphs 1, 2 and 3 above are required by law due to the fact that this Agreement is being completed by a real estate broker. Those provisions do not modify or lessen the other rights of cancellation given to you which appear above your signature on the first page of this Agreement. You should familiarize yourself with your other rights of cancellation as they are broader than those discussed above.

- (40) The Buyer's rights under this Agreement are subject and subordinate to any mortgage now or hereafter placed upon the premises by the Seller, and any advance made under any such mortgage, without the necessity of the Buyer signing any further document. If requested by the Seller or any mortgagee, the Buyer agrees to execute an instrument of further assurance in respect to the subordination of this Agreement as may be deemed reasonably necessary by the Seller or a mortgagee. Any such instrument will be prepared at the cost of the Seller and the Buyer may not request anything in return for signing it. Nothing in this paragraph shall affect the quality of title which the Seller is obligated to deliver under this Agreement or authorize the Seller to encumber the premises subsequent to closing of title.



EXHIBIT 4

Unit Deed

UNIT DEED

THIS DEED, is made this day of , in the year
198 , between CALTON HOMES, INC., a New Jersey Corporation, having an office
at 100 Craig Road, Freehold, New Jersey 07728, referred to in this document
as "Grantor", and
residing or located at

referred to in this document as "Grantee". (The words "Grantor" and "Grantee" include all Grantors and all Grantees under this Deed).

In return for the payment to the Grantor by the Grantee of

(\$)

Dollars, the Grantor grants and conveys to the Grantee all of the land located in the Township of Franklin, County of Somerset and State of New Jersey, specifically described as follows:

Unit _____, situated in Trendmaker Homes North at Quailbrook by Calton Homes, a Condominium, together with an undivided .8333 percentage interest, in the Common Elements of the Condominium (referred to in this Deed as the "Unit"). The conveyance evidenced by this Deed is made under the provisions of and is subject to the New Jersey Condominium Act (N.J.S.A. 46:8B-1 et seq.), as amended, and any applicable regulations adopted under either law. The conveyance evidenced by this Deed is also made in accordance with the terms, limitations, conditions, covenants, restrictions, easements, agreements and other provisions set forth in that certain Master Deed for Trendmaker Homes North at Quailbrook by Calton Homes, A Condominium, dated _____ and recorded _____ in the office of the County Clerk of Somerset County, in Deed Book _____, page _____ and as same may now or hereafter by lawfully amended.

The Unit is now designated as Lot , in Block , on
the municipal tax map of the Township of Franklin (or as Account No.).

(check box
if applicable) ☐ No property tax identification number for the land is
available at the time of this conveyance.

Prepared by: _____

The Unit is subject to the Master Deed mentioned above, and all its exhibits including all easements, terms, conditions, reservations, rights-of-way, air rights, covenants of record, governmental statutes, ordinances and regulations, possible added assessments for the year of sale as set or levied under N.J.S.A. 54:4-63.1 et seq. and all facts that an accurate survey may disclose.

This Deed entitles the Grantee to have and to hold for its proper use and benefit forever the premises and all it is subject to as described in this document.

The Grantor covenants that the Grantor has done nothing which encumbers or adversely affects title to the Unit or the common elements of the Condominium.

By the acceptance of this Deed, the Grantee consents to any future amendments or revisions of the Master Deed or the By-Laws of the Condominium Association (referred to in this Deed as the "Condominium Documents"), which may be required by the laws or governmental agencies of the State of New Jersey in connection with the sale of any property described in either of the Condominium Documents; and/or by any title insurance company insuring title to any portion of Condominium at the Grantor's request; and/or by an institutional lender (including the Grantor) providing mortgage loans to unit owners.

If an amendment is required for any one of the reasons described above, then the Grantee expressly agrees that the Grantor is authorized, on behalf of the Grantee, to sign and record any document necessary to make the amendment effective. This authority is called a power of attorney and the Grantor, in exercising this authority, is referred to as the Grantee's attorney-in-fact. By this Deed, the Grantee designates the Grantor as having this authority. This power of attorney will be binding upon anyone who claims an interest in the Unit by or through the Grantee, such as mortgagee, other lienholders, a purchaser, a tenant or someone with an interest acquired through a will or by operation of law. If an amendment is required

for one of the reasons expressed, only the signature of the attorney-in-fact is required in order for the amendment to be effective. However, the Grantor may not exercise its authority as attorney-in-fact without a separate written consent of the Grantee if the amendment would substantially change the floor plan of the Unit, or the percentage interest in the Common Elements associated with the Unit; increase the financial obligations of the Grantee under the Condominium Documents; or reserve any additional special privileges for the Grantor.

The Grantee declares and acknowledges that this power of attorney is coupled with an interest in the subject matter. The Grantee understands that the Grantor has caused the Condominium Documents to be adopted, recorded and that they are binding on the owners of all Units in the Condominium for the mutual benefit of the owners of all Units including the Grantor. The Grantor, as the Sponsor of the Condominium, the initial seller of all Units and the present Owner of Units has an interest in the Condominium and the Condominium Documents under the circumstances described. For this reason, this power of attorney may not be revoked by the Grantee.

The power of attorney will be effective for a period of five years from the date that the first Unit is conveyed to a Buyer, or after the Grantor conveys title to the last Unit, whichever occurs first. This power of attorney shall not be affected by the death or disability of any principal.

The Grantor has received the full payment from the Grantee.

This Deed is signed by the Grantor and the Grantee on the date first mentioned above.

ATTEST:

CALTON HOMES, INC., Grantor

Assistant Secretary

By: _____
Vice President

(L.S.)
Grantee

WITNESS:

(L.S.)
Grantee

(L.S.)
Grantee

CERTIFICATE OF ACKNOWLEDGEMENT BY INDIVIDUAL

STATE OF NEW JERSEY:

COUNTY OF : SS.

I am a

an officer authorized to take acknowledgements and proofs in this State. I sign this acknowledgement below to certify that it was made before me.

On , 19 ,

appeared before me in person. (If more than one person appears the words "this person" shall include all persons named who appeared before the officer and made this acknowledgement.) I am satisfied that this person is the person named in and who signed this Deed. This person acknowledged signing, sealing and delivering this Deed as this person's act and deed for the uses and purposes expressed in this Deed.

(Officers signature and title).

CORPORATE PROOF BY THE SUBSCRIBING WITNESS

STATE OF NEW JERSEY:

COUNTY OF MONMOUTH: SS.

I am a

an officer authorized to take acknowledgements and proofs in this State.

On 19 ,

("the "Witness") appeared before me in this person. The Witness was duly sworn by me according to law under oath and stated and proved to my satisfaction that:

1. The Witness is the Assistant Secretary of Calton Homes, Inc., which is the Grantor in this Deed.

2. the officer who signed this Deed, is the Vice President of Calton Homes, Inc. (from now on called the "Corporate Officer").

3. The making, signing, sealing and delivery of this Deed have been duly authorized by a proper resolution of the Board of Directors of the Corporation.

4. The Witness knows the corporate seal of the Corporation. The seal was affixed to this Deed by the Corporate Officer. The Corporate Officer signed and delivered this Deed as and for the voluntary act and deed of the Corporation. All this was done in the presence of the Witness who signed this Deed as attesting witness. The Witness signs this proof to attest to the truth of these facts.

5. The Witness also acknowledged that the full and actual consideration paid or to be paid for the transfer of title to realty evidenced by this Deed, as such consideration is defined in P.L. 1968, C.49, 1(c), is \$

Sworn to and signed before
me on the date written above.

Witness sign above and print
name below

Officers signature and title

EXHIBIT 5

Specimen of Owner's Title Policy

FIRST AMERICAN

AMPLE POLICY

POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS CONTAINED IN SCHEDULE B AND THE PROVISIONS OF THE CONDITIONS AND STIPULATIONS HEREOF, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the amount of insurance stated in Schedule A, and costs, attorneys' fees and expenses which the Company may become obligated to pay hereunder, sustained or incurred by the insured by reason of:

1. title to the estate or interest described in Schedule A being vested otherwise than as stated therein;
2. any defect in or lien or encumbrance on such title;
3. lack of a right of access to and from the land; or
4. unmarketability of such title.

IN WITNESS WHEREOF, First American Title Insurance Company has caused this policy to be signed and sealed by its duly authorized officers as of Date of Policy shown in Schedule A.



General Land Abstract Company
2025 Route 27
CN-3150
Edison, NJ 08818-3150
(201) 287-3636

Agent for:

First American Title Insurance Company

First American Title Insurance Company

BY

[Signature]

PRESIDENT

ATTEST

William C. Ziegler Jr.

SECRETARY

BY

[Signature]

COUNTERSIGNED

SCHEDULE OF EXCLUSIONS FROM COVERAGE

FOLLOWING MATTERS ARE EXPRESSLY EXCLUDED FROM THE COVERAGE OF THIS POLICY:

ANY LAW, ORDINANCE OR GOVERNMENTAL REGULATION (INCLUDING BUT NOT LIMITED TO BUILDING AND ZONING ORDINANCES) RESTRICTING OR REGULATING OR PROHIBITING THE OCCUPANCY, USE OR ENJOYMENT OF THE LAND, OR REGULATING THE CHARACTER, DIMENSIONS OR LOCATION OF ANY IMPROVEMENT NOW OR HEREAFTER ERECTED ON THE LAND, OR PROHIBITING A SEPARATION IN OWNERSHIP OR A REDUCTION IN THE DIMENSIONS OR AREA OF THE LAND, OR THE EFFECT OF ANY VIOLATION OF ANY SUCH LAW, ORDINANCE OR GOVERNMENTAL REGULATION.

RIGHTS OF EMINENT DOMAIN OR GOVERNMENTAL RIGHTS OF POLICE POWER UNLESS NOTICE OF THE EXERCISE OF SUCH RIGHTS APPEARS IN THE PUBLIC RECORDS AT DATE OF POLICY.

DEFECTS, LIENS, ENCUMBRANCES, ADVERSE CLAIMS, OR OTHER MATTERS (a) CREATED, SUFFERED, ASSUMED OR AGREED TO BY THE INSURED CLAIMANT; (b) NOT KNOWN TO THE COMPANY AND NOT SHOWN BY THE PUBLIC RECORDS BUT KNOWN TO THE INSURED CLAIMANT EITHER AT DATE OF POLICY OR AT THE DATE SUCH CLAIMANT ACQUIRED AN ESTATE OR INTEREST INSURED BY THIS POLICY AND NOT DISCLOSED IN WRITING BY THE INSURED CLAIMANT TO THE COMPANY PRIOR TO THE DATE SUCH INSURED CLAIMANT BECAME AN INSURED HEREUNDER; (c) RESULTING IN NO LOSS OR DAMAGE TO THE INSURED CLAIMANT; (d) ATTACHING OR CREATED SUBSEQUENT TO DATE OF POLICY; OR (e) RESULTING IN LOSS OR DAMAGE WHICH WOULD NOT HAVE BEEN SUSTAINED IF THE INSURED CLAIMANT HAD PAID VALUE FOR THE ESTATE OR INTEREST INSURED BY THIS POLICY.

CONDITIONS AND STIPULATIONS

DEFINITION OF TERMS

The following terms when used in this mean:

(a) "insured": the insured named in its A, and, subject to any rights or defenses company may have had against the named insured, those who succeed to the interest of such insured by operation of law as distinguished from those including, but not limited to, heirs, devisees, survivors, personal representatives of kin, or corporate or fiduciary persons.

(b) "insured claimant": an insured who suffers loss or damage hereunder.

(c) "knowledge": actual knowledge, constructive knowledge or notice which may be imputed to an insured by reason of any public record.

(d) "land": the land described, specifically by reference in Schedule A, and improvements affixed thereto which by law constitute realty; provided, however, the term "land" does not include any property beyond the lines of the land specifically described or referred to in Schedule A, any right, title, interest, estate or easement affecting streets, roads, avenues, alleys, lanes, or waterways, but nothing herein shall modify the extent to which a right of access to the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust deed, or other security instrument.

(f) "public records": those records by law impart constructive notice of matters to said land.

CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE

The coverage of this policy shall continue in favor of Date of Policy in favor of an insured so long as such insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from such insured, or so long as such insured shall have been insured by reason of covenants of warranty made in any transfer or conveyance of state or interest; provided, however, this shall not continue in force in favor of any insured from such insured of either said estate or interest, or the indebtedness secured by a purchase money mortgage given to such insured.

DEFENSE AND PROSECUTION OF ACTION - NOTICE OF CLAIM TO BE GIVEN BY AN INSURED CLAIMANT

(a) The Company, at its own cost and without delay, shall provide for the defense of an

insured in all litigation consisting of actions or proceedings commenced against such insured, or a defense interposed against an insured in an action to enforce a contract for a sale of the estate or interest in said land, to the extent that such litigation is founded upon an alleged defect, lien, encumbrance, or other matter insured against by this policy.

(b) The insured shall notify the Company promptly in writing (i) in case any action or proceeding is begun or defense is interposed as set forth in (a) above, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If such prompt notice shall not be given to the Company, then as to such insured all liability of the Company shall cease and terminate in regard to the matter or matters for which such prompt notice is required; provided, however, that failure to notify shall in no case prejudice the rights of any such insured under this policy unless the Company shall be prejudiced by such failure and then only to the extent of such prejudice.

(c) The Company shall have the right at its own cost to institute and without undue delay prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest as insured, and the Company may take any appropriate action under the terms of this policy, whether or not it shall be liable thereunder, and shall not thereby concede liability or waive any provision of this policy.

(d) Whenever the Company shall have brought any action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any such litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(e) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured hereunder shall secure to the Company the right to so prosecute or provide defense in such action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of such insured for such purpose. Whenever requested by the Company, such insured shall give the Company all reasonable aid in any such action or proceeding, in effecting settlement, securing evidence, obtaining witnesses, or prosecuting or defending such action or proceeding, and the Company shall reimburse such insured for any expense so incurred.

4. NOTICE OF LOSS - LIMITATION OF ACTION

In addition to the notices required under paragraph 3(b) of these Conditions and Stipulations, a statement in writing of any loss or damage for which it is claimed the Company is liable under this policy shall be furnished to the Company within 90 days after such loss or damage shall have been determined and no right of action shall accrue to an insured claimant until 30 days after such statement shall have been furnished. Failure to furnish such statement of loss or damage shall terminate any liability of the Company under this policy as to such loss or damage.

5. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS

The Company shall have the option to pay or otherwise settle for or in the name of an insured claimant any claim insured against or to terminate all liability and obligations of the Company hereunder by paying or tendering payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred up to the time of such payment or tender of payment, by the insured claimant and authorized by the Company.

6. DETERMINATION AND PAYMENT OF LOSS

(a) The liability of the Company under this policy shall in no case exceed the least of:

(i) the actual loss of the insured claimant; or

(ii) the amount of insurance stated in Schedule A.

(b) The Company will pay, in addition to any loss insured against by this policy, all costs imposed upon an insured in litigation carried on by the Company for such insured, and all costs, attorneys' fees and expenses in litigation carried on by such insured with the written authorization of the Company.

(c) When liability has been definitely fixed in accordance with the conditions of this policy, the loss or damage shall be payable within 30 days thereafter.

(Continued on inside back cover)

First American Title Insurance Company

SAMPLE POLICY

ALTA 1984 MODIFICATION ENDORSEMENT

Attached to and forming a part of Policy No. TO BE INSERTED

This policy is hereby amended by deleting therefrom Exclusions from Coverage Nos. 1 and 2 substituting in lieu thereof the following :

1. (a) Governmental police power.
 - (b) Any law, ordinance or governmental regulation relating to environmental protection.
 - (c) Any law, ordinance or governmental regulation (including but not limited to building and zoning ordinances) restricting or regulating or prohibiting the occupancy, use or enjoyment of the land, or regulating the character, dimensions or location of any improvement now or hereafter erected on the land, or prohibiting a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part.
 - (d) The effect of any violation of the matters excluded under (a), (b) or (c) above, unless notice of a defect, lien or encumbrance resulting from a violation has been recorded at Date of Policy in those records in which under state statutes deeds, mortgages, judgment liens or lis pendens must be recorded in order to impart constructive notice to purchasers of the land for value and without knowledge.
2. Rights of eminent domain unless notice of the exercise of such rights appears in the public records at Date of policy.

This endorsement is made a part of the policy and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy and any prior endorsements, nor does it extend the effective date of the policy and any prior endorsements, nor does it increase the face amount thereof.

COUNTERSIGNED

AUTHORIZED SIGNATURE



FIRST AMERICAN TITLE INSURANCE COMPANY

BY:

PRESIDENT



Sample Owners Policy
Trendmaker Homes North - Phase IV-A
(Condominium)

ALTA Owner's Policy
Form B - 1970-M
79843
1b

SCHEDULE A

Policy No. TBI Date of
 Policy To Be Inserted Amount \$ To Be Insert

INSURED

Names(s) of Owner(s) To Be Inserted

1. Title to the estate or interest covered by this policy at the date hereof is vested in the insured.

By Deed from Calton Homes, Inc., a Corp. of N.J., dated _____, recorded
_____ in deed book _____ page _____. (Somerset County)

2. The estate or interest in the land described or referred to in this Schedule covered by this policy is Fee Simple

3. The land referred to in this policy is situated in the State of New Jersey, County of Somerset, Township of Franklin and is described as follows:

BEING known and designated as Unit #_____ in Trendmaker Homes North At Quailbrook by Caltons Homes, A Condominium, together with a _____ undivided percentage interest in the common elements of said Condominium in accordance with and subject to the terms, limitations, conditions, covenants, restrictions, easements, agreements and other provisions set forth in that certain Master Deed for said Condominium dated _____ and recorded in the Somerset County Clerk's Office on _____ in Deed Book _____ page _____ et seq., as the same may now or hereafter be lawfully amended.



SCHEDULE B

Policy No. TBI

This policy does not insure against loss or damage by reason of the following:

- mit 1. Encroachments, overlaps, boundary line disputes, and any other matters which would be disclosed by an accurate survey and inspection of the premises.
See Survey Endorsement attached.

2. Subject to terms, limitations, conditions, covenants, restrictions, easements, agreements and other provisions set forth in Master Deed and By-Laws for "Trendmaker Homes North at Quailbrook by Calton Homes, a Condominium" dated _____, recorded _____ in Deed Book _____ page _____, et seq., and any legal amendments thereto.

Restrictions are not violated and any future violation thereof will not result in re-entry or effect a forfeiture or reversion of title.

3. Easement to Jersey Central Power & Light Company recorded in deed book 722 page 252.
4. Agreement with the Township of Franklin Sewerage Authority recorded in deed book 1343 page 67.
5. 25 foot wide sanitary sewer easement as shown on Filed Map #2158.
6. Utility easement to Public Service Electric and Gas Company and New Jersey Bell Telephone Company recorded in deed book 1424 page 281.
7. Easement recorded in deed book 1543 page 321.
8. Subject to the provisions of the New Jersey Condominium Act (N.J.S.A. 46:8B-1 et seq.) amendments and supplements thereto.

Policy insures that a valid condominium has been established covering the insured premises.

9. TAXES: Certified as paid through _____ quarter 1985. Subject to added taxes for additional construction or improvements, if any, pursuant to Chapter 397 of the Laws of 1941, amendments and supplements thereto.

(Continued)

Countersigned

Authorized Signatory

AST AM (continued)

(NOTE: Mortgage taken out by individual owners (if any) will be included in each Individual Policy.)

(NOTE: Statement as to the effect of additional recorded easements and/or restrictions (if any) will be included in each Individual Policy.)



FIRST AMERICAN TITLE INSURANCE COMPANY

SURVEY ENDORSEMENT

File No. 79843

Attached to Policy No. TBI

Exception number 1 in Schedule B of this policy is hereby deleted and the following is substituted therefor:

Certificate

1. Based upon a survey made by Name of Surveyor To Be Inserted dated To Be Inserted the Company hereby insured against loss or damage which the insured shall sustain by reason of any encroachments, overlaps, boundary line disputes or easements, except as follows:

Information To Be Inserted

This endorsement is made a part of the policy or commitment and is subject to all the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy or commitment and prior endorsements if any, nor does it extend the effective date of the policy or commitment and prior endorsements or increase the face amount thereof.

Dated: To Be Inserted

Countersigned:

By

Officer or Validating Agent

CONDITIONS AND STIPULATIONS

(Continued from inside front cover)

LIMITATION OF LIABILITY

No claim shall arise or be maintainable under this policy (a) if the Company, after having received notice of an alleged defect, lien or encumbrance insured against hereunder, by litigation or otherwise, removes such defect, lien or encumbrance or establishes the title, as insured, within a reasonable time after receipt of such notice; (b) in the event of litigation until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title, as insured, as provided in paragraph 3 hereof; or (c) for liability voluntarily assumed by an insured in settling any claim or suit without prior written consent of the Company.

REDUCTION OF LIABILITY

All payments under this policy, except payment made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance payable hereunder. No payment shall be made without deducting this policy for endorsement of such amount unless the policy be lost or destroyed, in which case proof of such loss or destruction shall be furnished to the satisfaction of the Company.

LIABILITY NONCUMULATIVE

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring either (a) a mortgage shown or referred to in Schedule B hereof which is a lien on the estate interest covered by this policy, or (b) a mortgage hereafter executed by an insured which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy. The Company shall have the option to apply to the payment of any such mortgages any amount that otherwise would be payable hereunder to the insured owner of the estate or interest covered by this policy and the amount so paid shall be deemed payment under this policy to said insured owner.

10. APPORTIONMENT

If the land described in Schedule C consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of said parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each such parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement herein or by an endorsement attached hereto.

11. SUBROGATION UPON PAYMENT OR SETTLEMENT

Whenever the Company shall have settled a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant. The Company shall be subrogated to and be entitled to all rights and remedies which such insured claimant would have had against any person or property in respect to such claim had this policy not been issued, and if requested by the Company, such insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect such right of subrogation and shall permit the Company to use the name of such insured claimant in any transaction or litigation involving such rights or remedies. If the payment does not cover the loss of such insured claimant, the Company shall be subrogated to such rights and remedies in the proportion which said payment bears to the amount of said loss. If loss should result from any act of such insured claimant, such act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against hereunder which shall exceed the amount, if any, lost to the Company by reason of the impairment of the right of subrogation.

12. LIABILITY LIMITED TO THIS POLICY

This instrument together with all endorsements and other instruments, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company.

Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or any action asserting such claim, shall be restricted to the provisions and conditions and stipulations of this policy.

No amendment of or endorsement to this policy can be made except by writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

13. NOTICES, WHERE SENT

All notices required to be given the Company and any statement in writing required to be furnished the Company shall be addressed to it at its main office at 421 North Main Street, Santa Ana, California, or to the office which issued this policy.

EXHIBIT 6

Moderate Income Restriction

MODERATE INCOME RESTRICTION

In granting the approvals for the Condominium, the Township of Franklin mandated that the Condominium be set aside for occupancy by moderate income households. The moderate income level has been determined by the Sponsor to be \$42,000.00. Total household income of Purchaser may not exceed this figure.

This figure was determined as follows:

1. By utilizing the United States Department of Housing and Urban Development median income limit for the Primary Metropolitan Statistical Area - Somerset County, dated January 1, 1984. This figure is \$37,200.00.
2. The figure of \$37,200.00 was upwardly adjusted for inflation to mid-1986 to \$41,600.00.
3. Moderate income is 95% of the median income of \$41,600.00, or \$39,500.00.
4. An increase of 6.5% over the \$39,500.00 was added to arrive at the approximate moderate income level of \$42,000.00, based upon the higher than average real estate taxes in the Somerset County area. This 6.5% multiplier was suggested by the New Jersey Housing and Mortgage Finance Agency.
5. The moderate income level is subject to change by the Sponsor based upon deviations in the figures utilized to complete the initial calculations.

EXHIBIT 7

Management Agreement

MANAGEMENT AGREEMENT

THIS AGREEMENT, made and entered into this day of , 198
by and between:

TRENDMAKER HOMES NORTH CONDOMINIUM ASSOCIATION, INC.
a New Jersey not-for-profit corporation,
with offices at 100 Craig Road, Freehold, New
Jersey (hereinafter referred to as "Association").

AND CALTON MANAGEMENT CO., INC., a New Jersey corpora-
tion, with offices located at 100 Craig Road, Freehold,
New Jersey (hereinafter referred to as "Managing Agent"
or "Agent").

WHEREAS, the Association is responsible for the administration,
management and operation of that certain residential development known as
"TRENDMAKER HOMES NORTH AT QUAILBROOK BY CALTON HOMES, A CONDOMINIUM", located
in the Township of Franklin, Somerset County, New Jersey (hereinafter called
the "Development"); and

WHEREAS, the Managing Agent possesses expertise in the management,
operation and administration of residential communities; and

WHEREAS, the Association desires to engage the Managing Agent to
perform all the administrative, operational and management duties of the
Association required for the efficient administration, operation and management
of the Common Property of the Development, including but not limited to those
authorized by the Master Deed for Trendmaker Homes North at Quailbrook by
Calton Homes, A Condominium (the "Master Deed"), the By-Laws of the Association
and those hereinafter expressly set forth;

NOW THEREFORE, WITNESSETH that in consideration of the premises,
conditions and covenants hereinafter set forth and the sum of TEN (\$10.00)
DOLLARS AND OTHER GOOD AND VALUABLE CONSIDERATION, in hand paid by the parties

hereto, each to the other, simultaneously with the execution and delivery of this Agreement, receipt of which is hereby acknowledged, the parties hereto covenant and agree as follows:

1. The Association herewith employs and appoints the Managing Agent as the exclusive agent for the performance of management, operational and administrative duties of the Association, and the Managing Agent herewith accepts said employment under and upon the terms and conditions hereinafter provided.

2. The responsibility of the Managing Agent for the performance of the administrative, management and operational duties of the Association shall commence on the date hereof or the date of recordation of the first deed conveying title to a Dwelling Unit in Trendmaker Homes at Quailbrook by Calton Homes, A Condominium to an individual purchaser, whichever is later and shall continue for one (1) year thereafter, provided however, that either party shall have the right to terminate said Agreement with or without cause by affording the other party at least thirty (30) days prior written notice of said termination. In the event that the Association terminates this Agreement, it must have entered into a management agreement, prior to the effective date of the termination, approved in writing by each Eligible Mortgage Holder holding a first mortgage lien on a Unit. Prior written approval by each Eligible Mortgage Holder holding a first mortgage lien on a Dwelling Unit shall also be required before the effectuation of any decision by the Association to terminate this Agreement and assume self-management.

3. The Managing Agent agrees, notwithstanding the authority vested in the Managing Agent by terms of this Agreement, to confer fully and freely with the Board of Directors of the Association in the performance of its duties as herein set forth and to attend general membership or Board meetings at any and all times requested by the Association.

4. It is further understood and agreed that the authority and duties conferred upon the Managing Agent hereunder are confined to the Common Property within the Development and the exterior of Dwelling Units, as set forth in the Master Deed. Such authority and duties shall not include supervision or management of individual Dwelling Units except as directed by the Association.

5. The services to be rendered by the Managing Agent in connection with the performance of operational, administrative and management duties of the Association are as follows:

(a) Subject to the approval of the Board of Directors of the Association, to cause to be selected, hired and supervised, all persons necessary to be employed in order to properly perform the management, maintenance and operational duties of the Association, which employees in each instance shall be employees of the Association, or an independent contractor, or may be employees of the Managing Agent. All personnel who are responsible hereunder for the handling of the Association's funds shall, at the expense of the Association, be bonded by a fidelity bond acceptable to the Managing Agent and the Association. All wages, salaries and other compensation paid to such employees, including all items payable in respect to the payroll, such as, but not limited to, unemployment insurance and social security, workmen's compensation, disability

benefits, medical and surgical plans now in existence or hereafter imposed or included in union agreements which the Agent may enter into, shall be at the expense of the Association and considered as operating expenses of the Association. The Agent will prepare and file all necessary reports and make required payments with respect to the unemployment insurance, disability and social security taxes. Anything to the contrary herein notwithstanding, the Association will be responsible for the payment of direct or indirect compensation to any employee for services actually rendered on behalf of the Association and the Association shall have the right at all reasonable times to audit all records with respect to any and all payroll or other expenses for which payment has been made by or requested of the Association.

(b) Cause the Common Property within the Development and the exterior of Dwelling Units to be maintained and kept in a first-class state of repair and cause necessary repairs and alterations to the Common Property to be made, including but not limited to electrical, plumbing, carpentry, masonry, public space, parking area, re-decorating of public and common areas and such other incidental alterations or changes therein that may be proper, subject only to the limitations contained in this Agreement or in the Master Deed, the Articles of Incorporation, By-Laws and Rules and Regulations of the Association.

(c) Cause to be purchased, on behalf of and at the expense of the Association, all tools, equipment, supplies and materials as may be necessary and desirable for the maintenance and upkeep of the Common Property. Such purchases shall be made in the name of the Association.

(d) Subject to approval by the Board of Directors of the Association, make contracts for utilities, vermin extermination, master television antenna or cable television service and other necessary services as shall be deemed advisable.

(e) Check all bills received by the Association for services, work and supplies ordered in connection with and for maintaining the Common Property and the exterior of Dwelling Units and cause to be paid by the Association all such bills, as and when same shall become due and payable.

(f) Collect on behalf of the Association all common expense assessments, maintenance fees, charges, monies and debts which may become due to the Association and to take such action in the name of the Association as may be required for the collection of same. For such purposes, the Managing Agent may, with the prior approval of the Board of Directors of the Association, and at the expense of the Association, employ counsel designated by the Association for such purposes.

(g) Deposit all funds collected for the Association in a bank designated by the Association, in a special account or accounts denominated substantially as follows: "Trendmaker Homes North Condominium Association, Inc.", as the agent for the Association.

(h) Supervise the moving in and moving out of Owners or tenants thereof and arrange dates thereof so that there will be a minimum of disturbance in the administration of the community or inconvenience to the other Owners or tenants thereof.

(i) Maintain businesslike relations with members of the Association whose services requests and complaints shall be received, considered, acted upon and recorded in a systematic fashion in order to show the action taken with respect to each. Requests that the Managing Agent deems outside of the scope of its responsibilities or of a serious nature or complaints or requests deemed by the Managing Agent to be unreasonable shall, after thorough investigation, be reported to the Association with appropriate recommendations.

(j) Cooperate with the Association's accountants with regard to the annual audit of the books and accounts of the Association including the annual report of the operation of the Association.

(k) Cooperate with the Association's accountants with regard to the preparation and filing on behalf of the Association of any governmental forms or returns.

(l) Cause to be prepared and send out all letters, reports and notices as may be reasonably requested by the Board of Directors of the Association, including any newsletters or other publications which the Board directs.

(m) Cause all insurance required by law or otherwise to be carried and maintained in full force and effect; and to make appropriate adjustments with all insurance carriers and cause all insurance proceeds to be promptly paid.

(n) Cause to be maintained and kept current, the Association minute book and Owner/Membership list; prepare and give notice of the meetings to the Owners/Members and directors of the Association; provided however, that nothing shall require Managing Agent to perform legal or professional accounting services.

(o) Maintain records with respect to services and materials and expenses on behalf of the Association, which records shall be sufficient to describe the services rendered and shall be kept in accordance with prevailing accounting procedures and shall identify the source and expenditures of all funds. Such records shall be freely available for inspection by the Association's Officers and Directors on a reasonable basis.

(p) Render to the Association a monthly statement of all collections and disbursements made, with vouchers therefor, on or before the 20th day of the next succeeding month, and at such other times, at the option of the Association, as shall be consistent with collections, expenditures and commitments for the Association. Such statements shall be prepared at the Managing Agent's expense.

(q) Prepare or arrange to be prepared an annual operating budget for submission to the Board of Directors of the Association no later than thirty (30) days before the end of each fiscal year of the Association for the next succeeding fiscal year.

(r) Arrange for snow removal from and maintenance of all roads, common area walkways and parking areas.

(s) Arrange for the removal of refuse from all buildings and common areas.

(t) Generally do all things deemed reasonable, necessary or desirable by the Board of Directors of the Association to oversee the proper management of the Development.

(u) To notify the Association of any practice, procedure or activity or other matter connected with the Development, which, in the opinion of the Managing Agent, may constitute a violation of any ordinance, code, governmental regulation, provision of the Declaration, provision of the By-Laws of the Association or Rule or Regulation of the Association.

4. All the purchases and expenditures made by the Managing Agent shall be made on behalf of and to the credit of the Association and the Managing Agent shall not be required or obligated to advance any monies or credit on behalf of the Association. In no event, however, shall the Managing Agent expend any sum in excess of \$500.00 per expenditure or \$5,000.00 in the aggregate on an annual basis, unless said expenditure(s) are specifically authorized by (i) the Board of Directors of the Association, (ii) an approved operating budget of the Association or (iii) the same is immediately required by law or under circumstances where such expenditures are required to eliminate or prevent an emergent danger to life or limb, or an imminent and substantial loss of or damage to the Common Property or any Dwelling Unit(s), in which cases such expenditure(s) may be made by the Managing Agent irrespective of the above limitations.

5. The Managing Agent is authorized on behalf of the Association to make all necessary disbursements for expenses incurred by the Managing Agent pursuant to any of the provisions of this Agreement, including the retention of legal counsel, accountants and other professional services as may be necessary, subject to proper approval thereof by the Board of Directors of the Association

and also including the payment of the Managing Agent's compensation as herein provided and to deduct the same from the collections made for the Association. In the event that at any time there be insufficient funds in the custody of the Managing Agent from the current collections to pay such expenses, the Association agrees to supply the Managing Agent immediately with funds required to make such payments. The Association agrees to reimburse the Managing Agent upon demand for any disbursements which Managing Agent may elect to advance for the account of the Association and for any monies which Managing Agent becomes obligated and required to pay pursuant to any of the provisions of this Agreement. Nothing herein contained, however, shall be construed to obligate Managing Agent to make any such advance.

6. Any vending machines, pay telephone or other coin-operated equipment which may be installed in any building shall be for the benefit of the Association and any income arising therefrom shall accrue to and be allocated to the maintenance, administration, upkeep and repair of the Common Property. The Board of Directors of the Association shall first approve the installation of any such machines.

7. The Association agrees to pay the Managing Agent for all services to be performed in connection with the performance of management, administrative and operational duties of the Association the sum of Nine Dollars (\$9.00) per Dwelling Unit (for which services are provided hereunder) per month. The first such installment (prorated according to the days remaining in the month) shall be due upon the date the Association commences operation. Subsequent installments shall be payable on the first day of each month thereafter, in advance, for the term of this Agreement.

8. The Managing Agent is and shall have general authority and powers necessary to carry out the intent of this Agreement and to act therefore on behalf of the Association. In no event, however, shall the level of maintenance or general supervision provided by the Managing Agent be less than that contemplated by the proposed budget set forth in the Public Offering Statement prepared by the Sponsor of the Development.

9. The Managing Agent shall, at the expense of the Association, cause to be placed and kept in force, all forms of insurance as required by the Declaration, the By-Laws of the Association or the laws of the State of New Jersey. Until the first meeting of the Board of Directors following the first annual meeting of the members of the Association, this shall be limited to:

(a) Public liability insurance for claims for bodily injury and property damage in amounts no less than \$1,000,000.00 per occurrence.

(b) Workmen's compensation insurance as required by law.

(c) Such other insurance coverages required by the Association's By-Laws.

The Managing Agent shall promptly investigate and make a full written report as to all accidents or claims for damages relating to the management, operation and maintenance of the community, including any damage or destruction to the Common Property, the estimated cost of repair and shall further cooperate and make any and all reports required by any insurance carrier in connection therewith.

10. (a) The Managing Agent shall not be liable to the Association for any loss or damage not caused by the Managing Agent's gross negligence or willful misconduct or not caused by the Managing Agent's own failure to comply with its obligations hereunder. The Association will indemnify the Managing Agent against and hold the Managing Agent harmless from:

(i) any loss, damage, cost or expenses (including reasonable attorney's fees) sustained or incurred for injury to any person or property in or about and in connection with the Development, from any cause except the gross negligence or willful misconduct of the Managing Agent; and (ii) any liability, damage, penalties, costs or expenses, statutory or otherwise, for any acts properly performed by the Managing Agent pursuant to the instruction of the Association; provided however, in each of the foregoing instances, the Managing Agent promptly advises the Association of its receipt of information concerning any such injury and the amount of any such injury, such liability, damages, penalties, costs and expenses.

(b) The Association shall carry contractual liability insurance, specifically covering the indemnity provisions contained in subparagraph (a) hereof, and employer's liability insurance and will include the Managing Agent as a party insured in the liability policy and will deliver a copy of such liability policy to the Managing Agent or a certificate evidencing same.

11. In the event a petition in bankruptcy is filed by or against the Association or the Managing Agent, or in the event that either shall make an assignment for the benefit of creditors or take advantage of any insolvency act, either party hereto may forthwith terminate this Agreement upon ten (10) days prior notice in writing to the other.

12. Notice which either party desires to give to the other or is required to give to the other under this Agreement, shall be given by Certified or Registered Mail, Return Receipt Requested, and it shall be deemed given 72 hours after having been deposited in the United States Mails, addressed to the party for whom it is intended as first set forth above.

13. This Agreement may not be transferred or assigned by either party without the written consent of the other.

14. Upon termination of this Agreement, the parties shall account to one another with respect to all matters outstanding as of the date of termination, and the Association shall furnish to the Managing Agent security satisfactory to the Managing Agent, against any outstanding obligations or liabilities which may have been incurred hereunder.

15. This Agreement shall constitute the entire understanding between the parties and no variance or modifications thereof shall be valid and enforceable except by supplemental agreement in writing, executed and approved in the same manner as this Agreement.

16. In the event of any dispute between the parties hereto as to the terms of this Agreement, such dispute shall be submitted to binding arbitration in accordance with the ten current rules of the American Arbitration Association before one (1) arbitrator selected from the Panel of Arbitrators of the American Arbitration Association, in New Brunswick, New Jersey. It is further agreed that a judgment on the award of the arbitrators may be entered by any court of competent jurisdiction.

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

ATTEST:

TRENDMAKER HOMES NORTH CONDOMINIUM
ASSOCIATION, INC.

Secretary

By: _____

President

ATTEST: .

CALTON MANAGEMENT CO., INC.

Secretary

By: _____

President

**Trendmaker Homes North
Condominium Association, Inc.
Somerset, New Jersey**

Managing Agent:
Preferred Property Management

(732) 873-1258 Tel
(732) 873-1870 Fax

ASSOCIATION RULES AND GUIDELINES

1. No loitering - No drinking - No yelling in the parking lots.
2. No throwing trash in parking areas.
 - no cigarette butts thrown anywhere; they are to be properly disposed of in ashtrays.
3. No recyclables in dumpsters; only in recycle shed.
4. When exiting your vehicle, please do not kick out trash onto the parking lot.
5. Follow recycle shed rules.
6. The following items are not permitted in the dumpster and must be removed at your expense.
 - no carpeting
 - no water heaters
 - no AC units
 - no tires
 - no car batteries
 - no mattresses or bed frames
 - no couches or chairs
7. No animals are allowed to be walked on the property.
8. No stereos blasting at any time (this includes car stereos).
9. No loud music or other noises after 9:00 p.m.
10. No speeding (the speed limit is 5 mph on the property).
11. No screeching of cars in parking lot.
12. No unnecessary banging on any front door.
13. No slamming of front doors.
14. No unnecessary horn blowing especially after 9:00 p.m.
15. Nothing personal is to be stored under the foyer stairs.
16. No one vehicle can occupy two parking spots at any time.
17. All vehicles must be registered, have valid license plates and insurance to remain on the property.
18. Brooms are provided for you to sweep your own foyers, stairs & upper decks.
19. Shovels are provided for your convenience during the winter.
20. Shovels will be collected in the spring for storage and future use.
21. Children should be properly supervised to prevent littering and property damage.
22. Children should not be found playing by:
 - the recycle shed
 - any of the garbage areas
 - in the tennis courts
 - in the flower beds
23. Please instruct your children not to throw candy wrappers and other trash onto property.
24. No ball playing is permitted in the parking areas.
25. No bicycles or rollerblades allowed on the tennis courts at any time.
26. No painting inside the foyer area (to avoid getting paint on the bricks or upper deck area)

27. No storing of garbage outside a unit's door entrance.
28. Constant awareness and respect for people and their property.
29. No spitting
30. Do not wear golf shoes with spikes up the stairs.
31. Do not pick flowers from the flower beds.
32. Minors should not congregate in the building foyers.
33. No propane/gas tanks stored anywhere on the property, this includes inside your units.
34. No barbecuing when the grass is straw-like in color - EXTREME FIRE HAZARD.
35. SECURE RECYCLING SHED BEFORE WALKING AWAY - Close it properly.
36. No commercial vehicles (oversized) can be parked on the property.
37. REPORT ALL VIOLATORS without hesitation.

TRENDMAKER NORTH CONDOMINIUM ASSOCIATION
DRYER VENT INSPECTION AND CLEANING RESOLUTION

WHEREAS, the By-Laws of the Trendmaker North Condominium Association authorizes the Board of Directors to amend the Rules and Regulations pursuant to Article V, Sec. 1(l) from time to time; and

WHEREAS, the Board of Directors of the Association has determined the need for such rules and regulations regarding the inspection and cleaning of dryer vents.

Cleaning and Inspection includes:

- 1 Inside of dryer, including heating coils and drum areas, and all other areas where lint collects within the dryer unit.
2. Connecting hose line from the back of the dryer and all of the hose line passing through any walls and/or attics continuing to the outside dryer vent cover.
3. Wire mesh cover on outside vent must be replaced after every cleaning.

WHEREAS, by October 1 of each year, where there is no proof of a dryer vent cleaning/inspection a written warning shall be issued by the Managing Agent for compliance by October 15. If a homeowner still fails to provide the certificate, then another letter is sent November 1, advising the homeowner that a fine of \$90.00 is being imposed on their account, along with monthly late charges for each month compliance is not met. If the fines are not paid then a lien will be placed against the unit with the attorney's fees and costs charged to the owner.

WHEREAS, THEREFORE BE IT RESOLVED this 8th day of June, 1995 that these rules are adopted and will be distributed to all members.

CHERYL MOLLE, President
Trendmaker North Condominium Association

PHIL CHORUN, Secretary

DRYER VENT INSPECTION REGULATIONS

1. All dryer vents must be inspected annually by an approved dryer vent service company and the inspection certification (a detailed invoice of services) received by the managing agent, Preferred Property Management by October 1 of each year. An approved dryer vent service company is one which has provided an acceptable certificate of liability insurance to the managing agent.
2. If a homeowner fails to provide the inspection certificate, then a 15 day written warning shall be issued by Preferred Property Management, compliance by October 15.
3. If a homeowner still fails to provide the certificate, then another letter is sent November 1, advising the homeowner that a \$90.00 fine is being imposed plus a \$10.00 per month fine until compliance is met.
4. If the fines or assessment are not paid then a lien will be placed against the unit with the attorneys fees and costs charged to the owner.
5. All costs and expenses related to obtaining an inspection certification shall be the responsibility of the homeowner.

RESOLUTION REGARDING LEASING OF UNITS

WHEREAS, Article IV, Section 1 of the By-Laws states that the affairs of the Association shall be managed by a Board of Directors; and

WHEREAS, Article V, Section 1 of the By-Laws empowers the Board to adopt and publish rules and regulations governing the ownership, use and maintenance of the common area, common easements and facilities and the personal conduct of the members and their guests thereon; and

WHEREAS, Article III, Section 4(L) of the Declaration of Covenants and Restrictions states:

No dwelling shall be rented by the Owners thereof (except a Sponsor or lender in possession of such dwelling following default in a First Mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure) or otherwise utilized for transient or hotel purposes, which shall be defined as (I) rental for any period less than six (6) months; or (II) any rental if the occupants of the dwelling are provided customary hotel services, such as room service for food and beverages, maid service, furnishing laundry and linen, and "bellboy" service, provided however, that any Lot Owner including sponsor may rent a dwelling for a period of less than six months to a bona fide contract purchaser thereof. No Lot Owner may lease less than an entire lot nor permit more than two (2) persons per bedroom to occupy any dwelling pursuant to any lease. Other than the foregoing obligations, each Lot Owner shall have the right to lease his Lot providing that said lease is writing for a term of no less than six (6) months and made subject to all provisions of the Declaration, including, but limited to, the By-Laws and other documents referred to herein, including the right of the lessee to fully comply with the terms and conditions of such documents shall constitute a default under the lease. A Lot Owner who leases his lot shall provide a copy of the written lease agreement to the Association. No leasing shall, however, relieve a Lot Owner from his obligations hereunder and he shall remain primarily responsible therefor. In the event a tenant of a Lot fails to comply with the provisions of this Declaration, the By-Laws or any Rules and Regulations then, in addition to all other remedies which it may have, the Association shall notify the Lot Owner of such violation(s) and demand that the same be remedied through the Lot Owner's efforts within thirty (30) days after such notice. If such violation(s) is not remedied within said thirty (30) day period, the Lot Owner shall immediately thereafter, at his own cost and expense, institute and diligently prosecute an eviction action against his tenant on account of such violation(s). Such action shall not be compromised or settled without the prior written consent of the Association. In the event the Lot Owner fails to fulfill the foregoing obligation, then the board shall have the right, but not the duty, to institute and prosecute such action as attorney-in-fact for the Lot Owner and at the Lot Owner's sole cost and expense, including all legal fees incurred. Said cost involved, and collection thereof may be enforced by the Board in the same manner as the Board is entitled to enforce collection of Common Expenses. By

acceptance of a deed to any Lot, each and every Lot Owner does hereby automatically and irrevocably name, constitute, appoint and confirm the Board as his attorney-in-fact for the purpose described in this subparagraph(L); and

WHEREAS, Article III, Section 4(M) of the Declaration of Covenants and Restrictions states:

The Board shall have the power to make such rules and regulations as may be necessary to carry out the intent of these restrictions and shall have the right to bring lawsuits to enforce the Rules and Regulations promulgated by it. The Board shall further have the right to levy fines for violation of such Rules and Regulations, provided that the fine for a single violation may not, under any circumstance exceed \$10.00 each day a violation continues after notice to the Lot Owner may be considered a separate violation. Any fine so levied shall be considered an assessment levied against the particular Lot Owner involved, and collection may be enforced by the Board in the same manner as the Board is entitled to enforce collection of other assessments. Fines may be levied against a Lot Owner, tenant and the Lot Owner shall be jointly and severally liable with his tenant for the payment of same. In the event the Association institutes legal action for collection of any fines, then the defendant(s) shall be responsible for payment of reasonable attorney's fees of the Association plus interest and cost of suit, provided that the Association is successful in the legal action; and

WHEREAS, the Board of Directors wishes to adopt rules and regulations consistent with aforementioned leasing restrictions;

NOW, THEREFORE, BE IT RESOLVED, that the following Lease Addendum, accompanied by the preceding document will be a required addendum to any lease to a Lot on the property known as Trendmaker Homes, North Condominium Association, Township of Franklin, County of Somerset, NJ

A copy of the fully executed lease and addendum is to be forwarded to the management company no less than ten (10) days prior to the beginning of the lease period.

Failure to comply may result in a violation against the Lot Owner and a subsequent fine of \$10.00 per day as outlined in the preceding document.

Adopted and accepted this 8 day of September 1994 by:

Cheryl A. Molle

Cheryl A. Molle, President

Phil Chorun

Phil Chorun, Secretary