PUBLIC OFFERING STATEMENT

SOCIETY HILL AT MORRIS II

LINCOLN PARK, NEW JERSEY

K. HOVNANIAN AT MORRIS II, INC., DEVELOPER

10 Highway 35
P. O. Box 500
Red Bank, N. J. 07701

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.

YOU HAVE THE RIGHT TO CANCEL ANY CONTRACT OR AGREEMENT FOR THE PURCHASE OF ANY LOT, PARCEL, UNIT OR INTEREST IN THIS DEVELOPMENT, WITHOUT CAUSE, BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO THE DEVELOPER OR HIS AGENT BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH THE CONTRACT OR AGREEMENT IS EXECUTED AND ALL MONIES PAID SHALL BE PROMPTLY REFUNDED.

BE SURE TO READ CAREFULLY ALL DOCUMENTS BEFORE YOU SIGN THEM.

The Effective Date of this Offering Statement is:
January 16, 1986

R - 1279

PREPARED BY:

EDWARD A. ISRAELOW, ESQ.

10 Highway 35

P.O. Box 500

Red Bank, NJ 07701

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FOREWORD

K. HOVNANIAN AT MORRIS II, INC., A New Jersey Corporation, hereby presents its Public Offering Statement for condominium ownership of land located in the Borough of Lincoln Park, County of Morris, State of New Jersey, and the buildings and other improvements to be constructed thereon. The condominium thus established shall be known as SOCIETY HILL AT MORRIS II CONDOMINIUM and shall be referred to as Society Hill at Morris II. This Public Offering Statement is intended only as a summary of the main features proposed by K. HOVNANIAN AT MORRIS II, INC., and of the legal documents required for the creation of the condominium.

Because of the complexity and interdependence of those legal documents, all of the developer's sales and other representatives are prohibited from changing any of the terms and conditions hereof or attempting to interpret their legal effect.

You are urged to consult your own counsel in connection with a review of these documents. The developer's counsel, in turn, will be available to discuss any matter that your counsel may wish to discuss.

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YOUR HAVE THE RIGHT TO CANCEL ANY CONTRACT OR AGREEMENT FOR THE PURCHASE OF ANY LOT, PARCEL, UNIT OR INTEREST IN THIS DEVELOPMENT, WITHOUT CAUSE, BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO THE DEVELOPER OR HIS AGENT BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH THE CONTRACT OR AGREEMENT IS EXECUTED AND ALL MONIES PAID SHALL BE PROMPTLY REFUNDED.

BE SURE TO READ CAREFULLY ALL DOCUMENTS BEFORE YOU SIGN THEM.

SECTION A. NAME AND PRINCIPAL ADDRESS OF THE DEVELOPER

THE DEVELOPER OF SOCIETY HILL AT MORRIS II CONDOMINIUM IS K. HOVNANIAN AT MORRIS II, INC., a Corporation of the State of New Jersey, with headquarters at 10 Highway 35, P. O. Box 500, Red Bank, N. J. 07701. K. Hovnanian at Morris II, Inc., is a wholly owned subsidiary of Hovnanian Enterprises, Inc., with headquarters at 10 Highway 35, P. O. Box 500, Red Bank, New Jersey 07701.

SECTION B. THE INTEREST BEING OFFERED

The developer is offering condominium dwelling units consisting of two and three bedroom units in three story buildings. A parking space will be assigned to each unit. In addition, there will be 315 unreserved parking spaces throughout the project with 47 parking spaces in Phase I. Under the condominium form of ownership, an owner of a condominium unit owns the area encompassed by the undecorated interior surfaces of the exterior walls, floor and ceilings of the particular dwelling unit, in fee simple. Condominium units are therefore transferable by Deed as any other real property and can be mortgaged. In addition to the ownership of the area encompassed by a condominium unit, a condominium unit owner also owns an undivided proportionate share of all of the common elements in a particular condominium.

The items ordinarily considered common elements are the lands upon which are located all the buildings in their particular condominium, building foundation, party walls, roof, load bearing interior walls, central services, hallways and stairs servicing more than one unit, and parking areas, walkways and landscaping within a condominium. For a statutory definition of "common elements", refer to N.J.S.A.46:8B-3(d).

When an owner sells his interest in a particular condominium unit, he conveys both the living space occupied by him and his undivided interest in the common elements. No unit is subject to the lien of any mortgage placed by any other owner on other units. Each unit may also be subject to liens for any unpaid common charges attributable to that unit. Each unit, along with its proportionate interest in the common elements will be taxed as a private tax lot for real estate tax purposes, just as a private home. No owner will be responsible for the payment of taxes on units other than his own.

The Board of Trustees of the Condominium Association shall assess charges against each unit for maintenance of the common elements and for the operating costs of the condominium, including the recreational facilities pursuant to Article 13 of the Association By Laws. No unit owner may exempt himself from the payment of any of the common charges by non-use of the recreational facilities. Each unit owner shall be responsible for payment of all utilities used within his unit. Utility charges for the common elements and recreation facilities will be billed to the Condominium Association and paid as part of the common charges.

SECTION C. DESCRIPTION OF DEVELOPMENT

Society Hill at Morris II will be constructed on land owned by K. Hovnanian at Morris II, Inc., located in Lincoln Park, New Jersey. Society Hill at Morris II will be constructed on approximately 28.5 acres. When completed, Society Hill at Morris II may consist of 276 condominium dwelling units of two and three bedroom types of varying square footages. The units will be apartment style in three story buildings with eight units per floor in each building, with the exception of one building which will have 4 units per floor. Access to the project will be provided by the Developer constructing a private road into the project off of Pine Brook Road. Parking will be provided throughout the project. There will be a total of 591 parking spaces with one space assigned specifically to each dwelling unit, leaving 315 unassigned spaces. All streets within the project boundaries will be privately owned and maintained by the Society Hill at Morris II Condominium Association.

Initially, only Phase I of the Condominium consisting of 24 units will be submitted to the Condominium regime. Ultimately, if sales and financing conditions permit, additional phases, or portions of phases will be added until the Condominium achieves a total size of 276 units. Purchasers of units in Phase I will acquire a 1/24th undivided interest in the limited common elements and common elements of the Condominium development. As additional phases (and units) are added to the Condominium, the percentage interest will be reduced until each unit owner owns a 1/276th undivided interest in the limited common elements and common elements of the Condominium. The Developer, however, is under no obligation to expand the Condominium beyond the initial 24 units. If and when completely developed, Society Hill at Morris II is contemplated to contain 276 units.

The Developer has retained the right to amend the Master Deed so as to increase or decrease the number of units and area of lands in the Condominium, thereby increasing or decreasing voting rights, the share of limited common and common elements, and the percentage share of expenses for maintenance of each unit accordingly. This right expires when all 276 condominium units are sold, or five years from the recording of the Master Deed, whichever occurs first.

As explained above, the Condominium may be expanded from time to time in the future to included additional phases. The additional phases (which may not necessarily be added in numerical order) are as follows:

Phase	Total No. of Bldgs	Total No. of Units	No. of Low Income Condominiums	No. of Moderate Income Condominiums	Estimated Completion Date*
I	1	24	6	6	May, 1986
II	1	24	4	4	May, 1986
III	1	24	6	6	May, 1986
IV	1	24	3	3	May, 1986
V	1	24	6	6	May, 1986
VI	1	12	0	0	May, 1986
VII	1	24	0	0	July, 1986
VIII	1	24	0	0	July, 1986
IX	1	24	0	0	September, 1986
X	1	24	0	0	September, 1986
XI	1	24	3	3	October, 1986
XII	1	24	0	0	October, 1986
XIII	Rec. Facilities	0	0	0	August, 1986
TOTALS	12	276	28	28	

*The dates listed are the Developer's good faith estimate only. These dates are not intended, nor can they be construed as firm definite dates. The actual completion date is controlled by the terms and conditions contained in the Agreement of Sale.

At present, there are plans for three model types. Copies of the floor plans are attached as exhibits. As market conditions dictate, additional models may be offered.

The recreation area will be part of the common elements. It is contemplated to be completed no later than August, 1986. However, if these future stages are not added to the condominium, Sponsor is not obligated to complete these recreation facilities. The right of Sponsor to not complete or add the recreation area to the condominium expires when all 276 condominium units are sold, or five years from the recording of the Master Deed, whichever occurs first.

SECTION D. RELEVANT COMMUNITY INFORMATION

The Borough of Lincoln Park, located in historic Morris County, encompasses an area of 6.94 square miles with a 1980 Census population of 8,806. Located in the northern section of the state, Morris County is bordered to the north by the Sussex and Passaic County lines, to the east by the Essex County line, to the southeast by the Union County line, to the south by the Somerset and Hunterdon County lines and to the west by the Warren County line.

High among the hills of northern New Jersey, Morris County offers varieties of residential living in a picturesque setting of lakes, streams and rivers.

Within a 5 mile ride from Lincoln Park, in neighboring Passaic County, is the Willow Brook Mall. Located at the intersection of Routes 80 and 23, the mall contains 175 stores including Sterns, Bambergers, Orbachs and Sears. Specialty shops and various stores line both sides of Route 46.

The Conrail line, with a station in the heart of Lincoln Park, has passenger service daily to New York. Bus service to New York is provided by Lakelands Bus Lines. Local bus service is Morris County Metro.

Major roadways near the project area are Interstates 80, 280 and 287 and Routes 46 and 23. These major arteries provide quick access to New York City, Newark Airport, the Jersey shore and vacation resorts in the Poconos.

Clubs and organizations in the area include, but are not limited to: American Legion Post 279, Knights of Columbus, Lincoln Park Jaycees, Lions Club of Lincoln Park. All are within approximately 5 miles of the project area.

Places of worship within Lincoln Park include the following: Saint Josephs (Catholic); Saint Andrews (Episcopalian); First Reformed Church (Reformed); Jacksonville Chapel (non-denominational). Other places of worship in the area include First Presbyterian Church of Boonton; St. Mary's Church, Denville; Mt. Zion Baptist Church, Boonton Township; Boonton Jewish Center, Boonton; Rockaway Valley Methodist Church, Rockaway Valley and Whitehall Methodist Church in Towaco. These places of worship are all within approximately 5 to 8 miles of the project area.

The schools within the Borough's area include Rose M. Patania School and Pine Brook Elementary, K-6; Chapel Hill Middle School, 7-8; Boonton High School, 9-12; St. Joseph's School, K-8; DePaul High School, 9-12. These schools are all within approximately 8 miles of the project area. Among the county's colleges and universities are Fairleigh Dickinson, the state's largest independent university, Drew University and County College of Morris.

There are many recreational activities available in the Borough. There is a community lake, the Constance Midkiff Community Center, a public library and numerous athletic fields and playgrounds. There are two golf courses in Lincoln Park and many more within easy driving distance.

Just outside of Morristown, approximately 8 miles to the south is the Morris Museum of Arts and Sciences which has a variety of fascinating exhibits and a year-long schedule of special events. There are many beautiful parks throughout the county such as Schooley's Mountain Park in Washington Township, the Great Swamp National Refuge in Harding Township and Tourne Park in Boonton Township. The William G. Mennen Sports Arena, Morristown is open year round for enthusiasts of hockey and ice skating. Many of the county's lakes offer picknicking, boating, fishing and swimming. Craigmeur Ski Area, approximately 15 miles away in Newfoundland, and Bowling Green Golf Club, approximately 20 miles away in Jefferson Township, offer the challenge of the slopes as well as cross-country skiing. The county's central location, and the network of roadways makes it convenient to enjoy the finest recreational, cultural and entertainment facilities of New Jersey, as well as New York City, New York State and Pennsylvania.

Hospitals within approximately 5 to 10 miles of the project are Riverside Hospital, a 160-bed facility in Boonton; St. Clare's Hospital, a 273-bed facility in Denville; Morristown Memorial in Morristown, the largest in the county with 689 beds; and Chilton Memorial Hospital in Pompton Plains. There is a 700 bed nursing home and intermediate care facility on Pine Brook Road, close to the project site.

The following utilities will provide service to this development: telephone - New Jersey Bell; gas - New Jersey Natural Gas Company; electric - Jersey Central Power and Light Company; cable t.v. - U.A. Columbia.

Two volunteer Fire Companies, a First Aid and Rescue Squad and Lincoln Park's full-time Police Department serve the Borough. The police and fire stations are approximately 1.2 miles from the site.

Local newspapers are the Suburban Trends and the Herald News. Morris County's radio station is WMTR.

SECTION E. RECREATIONAL FACILITIES

The Developer will construct common recreational facilities including a clubhouse with a multipurpose room, lounge, office, kitchenette, storage and men's and women's toilets. The Clubhouse is a square building containing 1156 square feet. A concrete or gunite swimming pool, 25 feet by 50 feet will be constructed adjacent to the Clubhouse. Surrounding the swimming pool will be a patio area for the use of the members. A tot lot and two platform tennis courts will also be provided by the developer. The estimated completion date for the recreational facilities is August, 1986 as Phase XIII.

The Clubhouse will be centrally air conditioned. The Developer will provide some furniture, at a minimum, two couches, four lounge chairs, two end tables, coffee table, carpeting. The Developer will also furnish, at a minimum, twelve lounge chairs and twelve chairs for use on the swimming pool patio. The location of the Clubhouse, swimming pool and other recreational facilities is shown on the site plan attached as an Exhibit of the Master Deed. The common recreational facilities will be available only for the exclusive use of unit owners and their invited quests, and will not be available for use by the general public. Guest fees may be charged by the Association for non-members use.

SECTION F. OPERATION OF COMMON ELEMENTS

The Society Hill at Morris II Condominium Association, Inc., a non-profit corporation organized under Title 15A of the New Jersey Statutes, will be responsible for the operation and management of the common elements and facilities.

SECTION G. CONTROL OF OPERATION OF COMMON ELEMENTS

Subject to the provisions of the Master Deed and By Laws of the Condominium Association, the control of the operation and management of the common elements and facilities will be the responsibility of the Society Hill at Morris II Condominium Association.

The Master Deed and By Laws prohibit the Condominium Association from making any assessment for common expenses prior to July 1, 1986. For those owners who close title to a unit prior to July 1, 1986, no condominium assessments will be due until July 1, 1986. For those owners who close title on or after July 1, 1986, condominium assessments will be due as of the date of closing and will be prorated to the date of closing. Prior to that date, the Developer shall pay all expenses of the common elements and facilities and have the sole discretion to determine the method of maintaining and administering the common elements and facilities. If the control of the Board of Trustees of the Condominium Association is given to individual unit owners prior to July 1, 1986, the Developer shall continue to be responsible for all expenses of the common elements and facilities, except that the Board of Trustees shall not be permitted to make any capital expenditures or increase for reserves without the prior written approval of the Developer until July 1, 1986. This shall not, however, result in the estimated Association assessment being artificially lowered.

The governing body of the Condominium Association will be a Board of Trustees, some of whom will be appointed by the Developer, and some will be elected by the individual unit owners in accordance with the By Laws of the Condominium Association. Initially, the developer appointed trustees will represent the entire membership of the Board of Trustees. Resident membership on the Board of Trustees will follow the dictates of the Condominium Laws of the State of New Jersey. Specifically, when unit owners other than the Developer own 25 percent or more of the units, the unit owners other than the Developer, shall be entitled to elect not less than 25 percent of the members of the Board of Trustees. When unit owners other than the Developer own 50 percent of the units, the unit owners other than the Developer shall be entitled to elect not less than 40 percent of the members of the Board of Trustees. When 75 percent of the units at Society Hill at Morris II have been conveyed to unit owners other than the Developer, the unit owners other than the Developer shall be entitled to elect 100 percent of the members of the Board of Trustees, provided, however, that the Developer may retain at least one member of the Board of Trustees so long as the Developer holds for sale in the ordinary course of business one or more units in Society Hill at Morris II. However, when some of the units have been conveyed to the purchasers and none of the others are being constructed or offered for sale by the Developer in the ordinary course of business, the unit owners other than the Developer shall be entitled to elect all of the members of the Board of Trustees. The Developer may surrender control of the Board of Trustees of the Association prior to the time as specified, provided the owners agree by a majority vote to assume control. However, in no event shall the Developer retain control of the Board of Trustees later than December 1, 1992.

A copy of the Master Deed and By Laws are attached beginning on page 68 .

A copy of the proposed Certificate of Incorporation for Society Hill at Morris II Condominium Association, Inc. is also attached on page 6.

CERTIFICATE OF INCORPORATION

OF

THE SOCIETY HILL AT MORRIS II CONDOMINIUM ASSOCIATION, INC.

THIS IS TO CERTIFY, that the undersigned, of the age of eighteen years or over, do hereby associate themselves into a corporation under and by virtue of the provisions of an Act of the Legislature of the State of New Jersey, entitled thereto and acts amendatory thereof.

FIRST: The name of this Corporation is:

SOCIETY HILL AT MORRIS II
CONDOMINIUM ASSOCIATION, INC.

SECOND: The purposes for which this corporation is formed are to operate, administer and maintain in accordance with the By Laws of Society Hill at Morris II Condominium Association, Inc. the common elements and facilities of the condominium community known as Society Hill at Morris II located in the Borough of Lincoln Park, County of Morris, New Jersey, and any and all other lawful activities permitted for a non-profit corporation.

THIRD: The location of the principal office of this corporation is at #10 Highway 35, in the City of Red Bank, County of Monmouth, State of New Jersey, 07701, and the name of the agent therein and in charge thereof, upon whom process against the corporation may be served is Peter S. Reinhart, Esq.

FOURTH: The number of trustees of this corporation is seven.

FIFTH: The names of the incorporators are:

Peter S. Reinhart, Esq.
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

James P. Barry
2 Spaulding Place
Monmouth Beach, NJ 07750

Timothy P. Mason
148 Devon Drive
Piscataway, NJ 08854

Edward A. Israelow, Esq.
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

George P. Yankowich
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

SIXTH: The names and addresses of the trustees elected for this first year of existence of this corporation are:

Timothy P. Mason
148 Devon Drive
Piscataway, NJ 08854

Peter S. Reinhart, Esq.
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

Frank L. Inzinna
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

Edward A. Israelow, Esq.
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

George P. Yankowich
58 Tatum Drive
Middletown, NJ 07748

James P. Barry
2 Spaulding Place
Monmouth Beach, NJ 07750

Conrad Gack
10 Highway 35
P.O. Box 500
Red Bank, NJ 07701

SEVENTH: In case of dissolution of the Association, the distribution of the Association Assets shall be pursuant to the By Laws of the Association.

EIGHTH: Qualification of officers and members and the conduct of the Board of Trustees shall be in accordance with and governed by the By Laws of Society Hill at Morris II Condominium Association, Inc.

IN WITNESS WHEREOF, we have hereunto set our hands and seals on this ____________ day of ______________________, 1985.

____
PETER S. REINHART

____
JAMES P. BARRY

____
TIMOTHY P. MASON

____
GEORGE P. YANKOWICH

____
EDWARD A. ISRAELOW

STATE OF NEW JERSEY: ss.
COUNTY OF MONMOUTH :

BE IT REMEMBERED, that on this ____ day of _____________, 1985, before me the subscriber, a Notary Public of the State of New Jersey, personally appeared PETER S. REINHART, JAMES P. BARRY, EDWARD A. ISRAELOW, TIMOTHY P. MASON and GEORGE P. YANKOWICH, who, I am satisfied, are the persons named in and who executed the within instrument, and thereupon they acknowledged that they signed, sealed and delivered the same as their act and deed, for the uses and purposes therein expressed.

____

PREPARED BY:
EDWARD A. ISRAELOW, ESQ.

SECTION H. PROPOSED BUDGET FOR OPERATION OF COMMON ELEMENTS

Annexed hereto and made a part hereof is a copy of the proposed budget for the operation and maintenance of the common elements and facilities, at full occupancy, as well as the amount set aside for replacement and reserves of the common elements as applied to each lot, parcel, unit or interest, and a letter of adequacy with respect to said proposed budget.

SOCIETY HILL AT MORRIS II CONDOMINIUM ASSOCIATION,INC.
PROPOSED BUDGET SUMMARY AT FULL OCCUPANCY
FOR FIRST FULL YEAR OF OPERATION

276 Units - 3312 Unit Months

ACCT. NO.	SUB-ACCT. NO.	ACCOUNT NAME	ANNUAL BUDGET	COST PER UNIT PER MONTH
100		ADMINISTRATION		
110		TAXES	1,576.00	.48
120		INSURANCE	38,050.00	11.49
130		EDUCATION	1,000.00	.30
140		MANAGEMENT	31,464.00	9.50
150		PROFESSIONAL FEES	5,000.00	1.51
160		OFFICE SUPPLIES	2,365.00	.71
TOTAL ADMINISTRATION			79,455.00	23.99
200		GROUNDS		
210		LANDSCAPING CONTRACT	30,000.00	9.06
220		SPRINKLER SYSTEM	9,800.00	2.96
230		HYDRANT FEE	1,440.00	.43
240		SNOW REMOVAL	10,000.00	3.02
250		LIGHTING	11,450.00	3.46
260		DETENTION/RETENTION BASIN	2,000.00	.60
270		TREES AND SHRUBS	2,000.00	.60
TOTAL GROUNDS			66,690.00	20.13
300		BUILDINGS		
310		MAINTENANCE	12,000.00	3.62
315		SEWER LINE MAINTENANCE	1,000.00	.30
320		REFUSE/SANITATION	26,496.00	8.00
330		PAINT AND SUPPLIES	500.00	.15
340		MISCELLANEOUS	500.00	.15
TOTAL BUILDINGS			40,496.00	12.22
400		RECREATION		
410		RECREATION-CLUBHOUSE		
410	10	JANITORIAL SUPPLIES	750.00	.23
410	20	ELECTRICITY	2,550.00	.77
410	30	GAS	1,220.00	.36
410	40	SEWER & WATER	660.00	.20
410	50	COIN PHONES	680.00	.21
410	60	CLUBHOUSE	750.00	.23
TOTAL RECREATION-CLUBHOUSE			6,590.00	2.00
420		RECREATION-TENNIS		
420	10	TENNIS COURT UPKEEP	300.00	.09
TOTAL RECREATION-TENNIS			300.00	.09

430		RECREATION-POOL		
430	10	POOL MAINTENANCE	300.00	.09
430	20	LIFEGUARDS/MAINTENANCE	8,500.00	2.57
TOTAL RECREATION-POOL			8,800.00	2.66
TOTAL RECREATION			15,690.00	4.75
500		RESERVES		
510		RESERVES-BUILDINGS		
510	10	BUILDING ROOFS	2,750.00	.83
510	20	PAINT/STAIN/CAULK	3,450.00	1.04
510	30	BALCONY/STAIRWELL	16,100.00	4.86
510	40	PATIOS	460.00	.14
510	50	VINYL SIDING	8,640.00	2.61
510	60	ELECTRICAL/PLUMBING	2,000.00	.60
510	70	DESILTING DETENTION BASIN	1,000.00	.30
TOTAL RESERVES-BUILDINGS			34,400.00	10.38
520		RESERVES-GROUNDS		
520	10	GROUNDS/ROADWAYS	6,111.00	1.85
520	20	RESTRIPE/RENUMBER	500.00	.15
520	30	WALKWAY	3,580.00	1.08
520	40	TIMBER RETAINING WALLS	18,300.00	5.53
520	50	SPRINKLER SYSTEM	400.00	.12
520	60	POND EQUIPMENT	800.00	.24
TOTAL RESERVES-GROUNDS			29,691.00	8.97
530		RESERVES-RECREATION		
530	10	CLUBHOUSE FURNISHINGS	1,500.00	.45
530	20	POOL	2,370.00	.72
530	30	PLATFORM TENNIS COURT	1,250.00	.38
530	40	TOT LOTS	1,200.00	.36
TOTAL RESERVES-RECREATION			6,320.00	1.91
540		RESERVES-MISCELLANEOUS		
540	10	INSURANCE DEDUCTIBLE	2,000.00	.60
540	20	CONTINGENCY	1,810.00	.55
TOTAL RESERVES-MISCELLANEOUS			3,810.00	1.15
TOTAL RESERVES			74,221.00	22.41
900		INCOME		
910		USERS FEES	500.00	.15
920		INTEREST	4,753.00	1.44
TOTAL INCOME			5,253.00	1.59
TOTAL ASSOCIATION BUDGET			276,552.00	83.50
TOTAL BUDGET LESS INCOME			271,299.00	81.91*

PROPOSED ASSESSMENTS BY MODEL

MTL	MT. LAUREL UNITS (40%)	25,072.32	37.31*
REG	REGULAR MORRIS II (100%)	246,232.80	93.27*

*Fee if all units paid equal dues = $81.91 per month
*Allocation per Affordable Housing Plan:
220 Market Units = $93.27 per month
56 Affordable Units = $37.31 per month

CALCULATION OF RESERVES

ACCT. NO.	SUB ACCT. NO.	ACCOUNT NAME	TOTAL COST	USEFUL LIFE
510	10	BUILDING ROOFS	68,750.00	25
510	20	PAINT/STAIN/CAULK	13,800.00	4
510	30	BALCONY/STAIRWELL	322,000.00	20
510	40	PATIOS	13,800.00	30
510	50	VINYL SIDING	216,000.00	25
510	60	ELECTRICAL/PLUMBING	60,000.00	30
510	70	DESILTING DETENTION BASIN	5,000.00	5*
520	10	GROUNDS/ROADWAYS	122,200.00	20
520	20	RESTRIPE/RENUMBER	2,500.00	5
520	30	WALKWAYS	53,700.00	15
520	40	TIMBER RETAINING WALLS	274,500.00	15
520	50	SPRINKLER SYSTEM	4,000.00	10
520	60	POND EQUIPMENT	4,000.00	5
530	10	CLUBHOUSE FURNISHINGS	15,000.00	10
530	20	POOL/POOL AND DECK	37,000.00	30
		EQUIPMENT AND FENCE	17,000.00	15
530	30	PLATFORM TENNIS COURT	50,000.00	40
530	40	TOT LOTS	12,000.00	10

The Board of Trustees of the Association prepares the annual budget of the Association prior to the beginning of each fiscal year. The reserves are included in the annual budget and the Trustees shall review the amount of the reserves each year in order to evaluate the adequacy of the reserves.

*It is anticipated that the detention basin will require desilting approximately once every five (5) years at a cost of approximately $5,000.

There follows a budget for Phases I through VIII of Society Hill at Morris II which represents the approximate operating costs of the Association if Phases I through VIII alone are built.

SOCIETY HILL AT MORRIS II CONDOMINIUM ASSOCIATION, INC.
PROPOSED BUDGET SUMMARY AT FULL OCCUPANCY
FOR FIRST FULL YEAR OF OPERATION
PHASES I THROUGH VIII
180 UNITS - 2160 UNIT MONTHS

ACCT. NO.	SUB-ACCT. NO.	ACCOUNT NAME	ANNUAL BUDGET	COST PER UNIT PER MONTH
100		ADMINISTRATION		
110		TAXES	1,024.40	.47
120		INSURANCE	26,425.00	12.23
130		EDUCATION	1,000.00	.46
140		MANAGEMENT	20,520.00	9.50
150		PROFESSIONAL FEES	5,000.00	2.31
160		OFFICE SUPPLIES	1,537.25	.71
TOTAL ADMINISTRATION			55,506.65	25.68
200		GROUNDS		
210		LANDSCAPING CONTRACT	19,500.00	9.03
220		SPRINKLER SYSTEM	6,370.00	2.95
230		HYDRANT FEE	936.00	.43
240		SNOW REMOVAL	6,500.00	3.01
250		LIGHTING	7,442.50	3.45
260		DETENTION/RETENTION BASIN	400.00	.19
270		TREES AND SHRUBS	1,300.00	.60
TOTAL GROUNDS			42,448.50	19.66
300		BUILDINGS		
310		MAINTENANCE	7,800.00	3.61
315		SEWER LINE MAINTENANCE	650.00	.30
320		REFUSE/SANITATION	17,280.00	8.00
330		PAINT AND SUPPLIES	325.00	.15
340		MISCELLANEOUS	325.00	.15
TOTAL BUILDINGS			26,380.00	12.21
400		RECREATION		
410		RECREATION-CLUBHOUSE		
410	10	JANITORIAL SUPPLIES	750.00	.35
410	20	ELECTRICITY	2,550.00	1.18
410	30	GAS	1,200.00	.56
410	40	SEWER & WATER	660.00	.31
410	50	COIN PHONES	680.00	.31
410	60	CLUBHOUSE	750.00	.35
TOTAL RECREATION-CLUBHOUSE			6,590.00	3.06
420		RECREATION-TENNIS		
420	10	TENNIS COURT UPKEEP	300.00	.14
TOTAL RECREATION-TENNIS			300.00	.14
430		RECREATION-POOL		
430	10	POOL MAINTENANCE	300.00	.14
430	20	LIFEGUARDS/MAINTENANCE	8,500.00	3.94
TOTAL RECREATION-POOL			8,800.00	4.08
TOTAL RECREATION			15,690.00	7.28

500		RESERVES		
510		RESERVES-BUILDINGS		
510	10	BUILDING ROOFS	1,787.50	.83
510	20	PAINT/STAIN/CAULK	2,242.50	1.04
510	30	BALCONY/STAIRWELL	10,465.00	4.84
510	40	PATIOS	299.00	.14
510	50	VINYL SIDING	5,616.00	2.60
510	60	ELECTRICIAL/PLUMBING	1,300.00	.60
510	70	DESILTING DETENTION BASIN	1,000.00	.46
TOTAL RESERVES-BUILDINGS			22,710.00	10.51
520		RESERVES-GROUNDS		
520	10	GROUNDS/ROADWAYS	3,972.15	1.84
520	20	RESTRIPE/RENUMBER	325.00	.15
520	30	WALKWAY	2,327.00	1.08
520	40	TIMBER RETAINING WALLS	18,300.00	8.47
520	50	SPRINKLER SYSTEM	260.00	.12
520	60	POND EQUIPMENT	800.00	.37
TOTAL RESERVES-GROUNDS			25,984.15	12.03
530		RESERVES-RECREATION		
530	10	CLUBHOUSE FURNISHINGS	1,500.00	.69
530	20	POOL	2,370.00	1.10
530	30	PLATFORM TENNIS COURT	1,250.00	.58
530	40	TOT LOTS	1,200.00	.56
TOTAL RESERVES-RECREATION			6,320.00	2.93
540		RESERVES-MISCELLANOUS		
540	10	INSURANCE DEDUCTIBLE	2,000.00	.93
540	20	CONTINGENCY	1,176.50	.54
TOTAL RESERVES-MISCELLANEOUS			3,176.50	1.47
TOTAL RESERVES			58,190.65	26.94
900		INCOME		
910		USERS FEES	325.00	.15
920		INTEREST	3,089.45	1.43
TOTAL INCOME			3,414.45	1.58
TOTAL ASSOCIATION BUDGET			198,215.80	91.77
TOTAL BUDGET LESS INCOME			194,801.35	90.19*

PROPOSED ASSESSMENTS BY MODEL

MTL	MT. LAUREL UNITS (40%)	25,974.00	43.29*
REG	REGULAR MORRIS II (100%)	168,823.20	108.22*

*Fee if all units paid equal dues = $90.19
*Allocation per Affordable Housing Plan:
Market Units = $108.22 per month
Affordable Units = $43.29 per month

A letter of adequacy with respect to the above three budgets is also attached on pages 14a, 14b and 14c.

There follows a budget for Phase I of Society Hill at Morris II which represents the approximate operating costs of the Association if Phase I alone is built and a letter of adequacy with respect to this budget.

SOCIETY HILL AT MORRIS II CONDOMINIUM ASSOCIATION, INC.
PROPOSED BUDGET SUMMARY AT FULL OCCUPANCY
FOR FIRST FULL YEAR OF OPERATION
PHASE I - BUILDING 1
24 UNITS - 288 UNIT MONTHS

ACCT. NO.	SUB-ACCT. NO.	ACCOUNT NAME	ANNUAL BUDGET	COST PER UNIT PER MONTH
100		ADMINISTRATION		
110		TAXES	141.84	.49
120		INSURANCE	6,250.00	21.70
130		EDUCATION	1,000.00	3.47
140		MANAGEMENT	2,736.00	9.50
150		PROFESSIONAL FEES	5,000.00	17.36
160		OFFICE SUPPLIES	212.85	.74
TOTAL ADMINISTRATION			15,340.69	53.26
200		GROUNDS		
210		LANDSCAPING CONTRACT	2,700.00	9.38
220		SPRINKLER SYSTEM	882.00	3.06
230		HYDRANT FEE	129.60	.45
240		SNOW REMOVAL	900.00	3.13
250		LIGHTING	1,030.50	3.58
270		TREES AND SHRUBS	1,300.00	4.51
TOTAL GROUNDS			6,942.10	24.11
300		BUILDINGS		
310		MAINTENANCE	1,080.00	3.75
315		SEWER LINE MAINTENANCE	90.00	.31
320		REFUSE/SANITATION	2,304.00	8.00
330		PAINT AND SUPPLIES	45.00	.16
340		MISCELLANEOUS	45.00	.16
TOTAL BUILDINGS			3,564.00	12.38
500		RESERVES		
510		RESERVES-BUILDINGS		
510	10	BUILDING ROOFS	247.50	.86
510	20	PAINT/STAIN/CAULK	310.50	1.08
510	30	BALCONY/STAIRWELL	1,449.00	5.03
510	40	PATIOS	41.40	.14
510	50	VINYL SIDING	777.60	2.70
510	60	ELECTRICAL/PLUMBING	180.00	.63
TOTAL RESERVES-BUILDINGS			3,006.00	10.44
520		RESERVES-GROUNDS		
520	10	GROUNDS/ROADWAYS	549.99	1.91
520	20	RESTRIPE/RENUMBER	45.00	.16
520	30	WALKWAY	322.20	1.12
520	50	SPRINKLER SYSTEM	36.00	.13
TOTAL RESERVES-GROUNDS			953.19	3.32

540		RESERVES-MISCELLANEOUS		
540	10	INSURANCE DEDUCTIBLE	2,000.00	6.94
540	20	CONTINGENCY	162.90	.57
TOTAL RESERVES-MISCELLANEOUS			2,162.90	7.51
TOTAL RESERVES			6,122.09	21.27
900		INCOME		
920		INTEREST	427.77	1.49
TOTAL INCOME			427.77	1.49
TOTAL ASSOCIATION BUDGET			31,968.88	111.02
TOTAL BUDGET LESS INCOME			31,541.11	109.53*

PROPOSED ASSESSMENTS BY MODEL

MTL	MT. LAUREL UNITS (40%)	9,011.52	62.58*
REG	REGULAR MORRIS II (100%)	22,528.80	156.45*

*Fee if all units paid equal dues = $109.53
*Allocation per Affordable Housing Plan:
Market Units = $156.45
Affordable Units = $62.58

CURCHIN & COMPANY

Certified Public Accountants

The Developers
K. Hovnanian at Morris II, Inc.

We have examined K. Hovnanian at Morris II, Inc.'s proposed budget of Society Hill at Morris II Condominium Association, Inc., for the operation of the common elements and facilities, including those amounts set aside as reserves for the replacement of the common elements and facilities, based upon full occupancy together with the proposed annual assessment and the monthly charges to be assessed to each unit. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and usch other auditing procedures as we considered necessary in the circumstances.

In our opinion, K. Hovnanian at Morris II, Inc. has provided adequate budgeted amounts, including reserves, that could be reasonably estimated at the time of our examination, in the Society Hill at Morris II Condominium Association, Inc.'s proposed budget, for the operation of the common elements and facilities.

Curchin + Company
March 17, 1986
Red Bank, NJ

CURCHIN & COMPANY

Certified Public Accountants

The Developers
K. Hovnanian at Morris II, Inc.

We have examined K. Hovnanian at Morris II, Inc.'s proposed budget of Society Hill at Morris II Condominium Association, Inc., for the operation of the common elements and facilities, including those amounts set aside as reserves for the replacement of the common elements and facilities, based upon the completion of Phase I (24 total units no recreation facilities) together with the proposed annual assessment and the monthly charges to be assessed to each unit. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and usch other auditing procedures as we considered necessary in the circumstances.

In our opinion, K. Hovnanian at Morris II, Inc. has provided adequate budgeted amounts, including reserves, that could be reasonably estimated at the time of our examination, in the Society Hill at Morris II Condominium Association, Inc.'s proposed budget, for the operation of the common elements and facilities.

Curchin & Company
March 17, 1986
Red Bank, NJ

CURCHIN & COMPANY
Certified Public Accountants

The Developers
K. Hovnanian at Morris II, Inc.

We have examined K. Hovnanian at Morris II, Inc.'s proposed budget of Society Hill at Morris II Condominium Association, Inc., for the operation of the common elements and facilities, including those amounts set aside as reserves for the replacement of the common elements and facilities, based upon completion of Phase II (180 total units) plus recreation facilities together with the proposed annual assessment and the monthly charges to be assessed to each unit. Our examination was made in accordance with generally accepted auditing standards, and accordingly, included such tests of the accounting records and usch other auditing procedures as we considered necessary in the circumstances.

In our opinion, K. Hovnanian at Morris II, Inc. has provided adequate budgeted amounts, including reserves, that could be reasonably estimated at the time of our examination, in the Society Hill at Morris II Condominium Association, Inc.'s proposed budget, for the operation of the common elements and facilities.

Curchin - Company
March 17, 1986
Red Bank, NJ

SECTION I. SERVICE CONTRACTS

A Copy of the Management Contract affecting the maintenance of the development is attached on page 34 and expires one year from the date upon which the Master Deed is recorded. There are no other proposed or actual management, service or other contracts or agreements affecting the use, maintenance, or access of all or a part of the development. While the developer maintains a majority of representation on the executive board, he shall post a fidelity bond or other guarantee acceptable to the Agency, in an amount equal to the annual budget. For the second and succeeding years, the bond or other guarantee shall include accumulated reserves.

SECTION J. RELATIONSHIP BETWEEN DEVELOPER AND SERVICE AGENTS

Robert C. Krugh Community Management Co., Inc., the party contracted with by the condominium association for management services, is a wholly owned subsidiary of Hovnanian Enterprises, Inc. which has and does perform similar management services for other projects of the developer as well as for other developers and condominium associations.

SECTION K. MASTER DEED AND BY LAWS

A copy of the Master Deed and Declaration of Restrictive and Protective Covenants and copy of the By Laws for Society Hill at Morris II is attached.

SECTION L. RESTRICTION ON OCCUPANCY, ALIENATION AND ALTERATION

Unit owners must comply with the terms of the Master Deed and Association By Laws as well as any rules and regulations which may be adopted by the Association pursuant to the terms thereof. The following is a summary of restrictions contained in the Master Deed and Association By Laws relating to the occupancy of the units, the right of alienation and the right of alteration of the unit.

No part of the property shall be used for other than residential dwellings and the common recreational purposes appurtenant thereto. Nothing shall be done or kept in any unit or common elements which will increase the rate of insurance of any other buildings or contents thereof applicable for residential use without the prior written consent of the Board of Trustees of the Condominium Association. No owner shall permit anything to be done or kept in his unit or in the common elements which will result in the cancellation of insurance on any of the buildings or contents thereof or which will be in violation of any law. No waste will be committed in any of the common elements.

Unit owners shall not cause or permit anything to be hung or displayed or placed on the outside walls, doors or windows of the building without the consent of the Board of Trustees of the Condominium Association. No signs shall be permitted on the exterior or interior of any unit. No owner shall be permitted to install or have installed any window air conditioner, fan, heat pump, solar collector or similar cooling, heating and/or ventilating device in any window, door or other exterior opening of a dwelling unit. No owner shall be permitted to erect or have erected any fence, partition, wall, divider, or similar structure exterior to their unit other than any such structure erected by the developer. Each and every purchaser shall be required to execute a Specific Power of Attorney which shall be part of the deed conveying title of a condominum to the purchaser making the Sponsor the attorney-in-fact for the limited purposes described in paragraph 11 of the Master Deed.

No unit shall be rented by the owners thereof or otherwise utilized for transient or hotel purposes, which shall be defined as (1) rental for any period less than 180 days; or (2) any rental if the occupants of the unit are provided customary hotel services, such as room service for food and beverages, maid service, furnishing laundry or linen and bellboy service. No unit owner may lease less than an entire unit. Other than the foregoing obligations, the unit owner shall have the right to lease same provided that the terms of the lease are subject to all provisions of the Master Deed, By Laws of the Association, the Rules and Regulations of the Association, and the Condominium Act of the State of New Jersey.

Regarding the assessment of the pro rata unit share in the expenses of administration, maintenance and repair of the common elements, the Master Deed specifically states that upon the sale, conveyance, or other lawful transfer of title to a unit, all unpaid assessments, charges and expenses chargeable to the unit shall first be paid out of the sales price or by the acquirer in preference to any other assessments or charges of whatever nature except the following: (1) assessments, liens and charges for taxes past due and unpaid on the unit and (2) payments due under bona fide mortgage instruments, if any, duly recorded. The acquirer of a condominium unit shall be jointly and severally liable with the seller for the amount owing by the seller to the Association up to the time of the transfer of title without prejudice to the acquirer's right to recover from the seller the amount paid by him as such joint debtor. The Association shall provide for the issuance of and issue to every acquirer, upon his request, a statement of such amounts due by the seller, and acquirer's liability under this covenant shall be limited to the amount as set forth in said statement.

No owner shall make any structural modifications or alterations within a dwelling unit without the written consent of the Condominium Association or its duly authorized representatives, and no act shall be done under any circumstances which does or may tend to impair the structural integrity of any of the buildings or adversely affect any of the common elements.

In addition to all of the above restrictions, the fifty-six (56) predesignated affordable condominiums must comply with the terms of the Affordable Housing Plan, as well as any rules and regulations which may be adopted by the Fair Housing Committee of the Borough of Lincoln Park.

A copy of the Affordable Housing Plan which affects only the fifty-six predesignated units is attached on page 130. In addition, paragraph 6.00 of the Master Deed contains provisions applicable to the 56 affordable condominiums.

All multiple dwellings, even if they are under a condominium or cooperative form of ownership, are subject to the Hotel and Multiple Dwelling Law (N.J.S.A. 55:13A-1 et. seq.). The condominium association or cooperative corporation is considered as the owner for 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 payment of registration and inspection fees. Unit owners may be required to abate violations within their units.

If a penalty has been assessed against a former owner of a building, it is a personal debt of the former owner and is not chargeable as a lien against the building unless a court judgment on the penalty has been obtained. The Bureau of Housing Inspection, which administers the Hotel and Multiple Dwelling Law, gives every new owner an opportunity to correct existing violations without penalty and only imposes a penalty after the new owner has been notified of the violations, been given a opportunity to abate them, and has failed to do so.

SECTION M.

A copy of the Bargain and Sale Deed with Covenants Against Grantor's Acts which will be delivered to the purchasers evidencing their interest in the development is attached on page 17. In addition, a copy of the Bargain and Sale Deed with Covenants Against Grantor's Acts which will be delivered to the purchasers of the fifty-six (56) affordably priced dwelling units evidencing their interest in the development is attached on page 19.

THIS INDENTURE

Dated

BETWEEN K. HOVNANIAN AT MORRIS II, INC., A Corporation of the State of New Jersey, whose main office is 10 Highway 35, P. O. Box 500, Red Bank, New Jersey, the GRANTOR

AND

the GRANTEE

about to reside at

The GRANTOR grants, sells, conveys and transfers to ownership of the property described below to GRANTEE for the sum of

Dollars.

The property is located in the Borough of Lincoln Park, County of Morris and State of New Jersey and is legally described as:

Unit No._____, in Building No.________, in The Society Hill at Morris II Condominium together with an undivided _______ percentage interest in the common elements appurtenant thereto as amended from time to time, in accordance with and subject to the terms, limitations, conditions, covenants, restrictions, and other provisions of the Master Deed and Declaration of Restrictive and Protective Covenants of Society Hill at Morris II Condominium dated ________________and recorded on ________, in the Office of the Clerk of Morris County in Deed Book ___________, Page________, et. seq.

Being also known as Lot No. _______, in Block No._____, on the tax map of the Borough of Lincoln Park.

The GRANTOR promises the GRANTEE that Grantor has done no act to encumber the property. This promise is called a "covenant as to grantor's acts" (N.J.S.A. 46:4-6). This promise means that Grantor has not allowed anyone else to obtain any legal rights which affect the property.

This Deed has been signed and attested to by the appropriate officers of the GRANTOR and the corporate seal of the GRANTOR is affixed.

ATTEST: K. HOVNANIAN AT MORRIS II, INC.

________________________________ BY:________________________________

NANCY SCHNEIDER, Asst. Secretary JAMES P. BARRY, Vice President

Prepared by:
EDWARD A. ISRAELOW, ESQ.

STATE OF NEW JERSEY: ss
COUNTY OF MONMOUTH :

On ______________________, 19_____ NANCY SCHNEIDER, personally appeared before me and she acknowledged under oath that: she is the Assistant Secretary of K. HOVNANIAN AT MORRIS II, INC., the GRANTOR in this Deed; that she knows the proper seal of the GRANTOR and it is affixed to this Deed; this Deed was signed by JAMES P. BARRY, Vice President of the GRANTOR; she signed this Deed to attest to the signing of the Deed by JAMES P. BARRY; the Deed was signed and delivered by the GRANTOR as its voluntary act, which act was properly authorized by the Board of Directors of GRANTOR; she is signing this Certification to affirm the truthfulness of what has been set forth; and the full and actual consideration paid or to be paid for the transfer of title to the property described in this Deed, as such consideration is defined in N.J.S.A. 46:15-5, is $____________.

____
NANCY SCHNEIDER, Asst. Secty.

Sworn and Subscribed to before me at
Red Bank, New Jersey, the date aforesaid.

____

SPECIFIC POWER OF ATTORNEY

(I) (We), the above named GRANTEE, do hereby irrevocably name, make, appoint, constitute and confirm K. Hovnanian at Morris II, Inc., a corporation of the State of New Jersey, whose main office is 10 Highway 35, P.O. Box 500, Red Bank, New Jersey, and its assigns and successors, my true and lawful Attorney-in-Fact for (me) (us) for those specific and limited purposes as set forth in Paragraph 11, and its sub-paragraphs, and Paragraph 13 of the Master Deed and Declaration of Restrictive and Protective Covenants of Society Hill at Morris II Condominium, and for me (us) and in my (our) name(s), place and stead, to execute any such amendment(s) to the Master Deed and other instrument(s) necessary to effect the purposes set forth in Paragraph 11, and its sub-paragraphs of the Master Deed with the same force and effect as though I (we) were present and acting for myself (ourselves) and I (we) hereby ratify and confirm all that my said attorney-in-fact shall do by virtue hereof. This Power of Attorney shall not be affected by the fact that (I) (we) might become incompetent hereafter, but shall remain in full force and effect.

In witness whereof, (I) (we) hereunto set (my) (our) hand(s) this _____ day of ______________, 19___.

______________________ ______________________
GRANTEE GRANTEE

State of New Jersey)
)ss.
County of _________)

Be it remembered, that on this ____ day of ________________, 19___, before me, the subscriber, ____________________, personally appeared ____________________, who, I am satisfied (is) (are) the person(s) named in and who executed the within Instrument, and thereupon acknowledged that the Instrument was signed, sealed and delivered as a voluntary act and deed for the uses and purposes therein expressed.

____
SUBSCRIBER

K. HOVNANIAN AT MORRIS II, INC. to ____________________
CHARGE, RECORD & RETURN TO: ____________________

T H I S   I N D E N T U R E

Dated

BETWEEN K. HOVNANIAN AT MORRIS II, INC., A Corporation of the State of New Jersey, whose main office is 10 Highway 35, P. O. Box 500, Red Bank, New Jersey, the GRANTOR

AND

the GRANTEE

about to reside at

The GRANTOR grants, sells, conveys and transfers to ownership of the property described below to GRANTEE for the sum of

Dollars.

The property is located in the Borough of Lincoln Park, County of Morris and State of New Jersey and is legally described as:

Unit No.______, in Building No.________, in Society Hill at Morris II Condominium together with an undivided _________ percentage interest in the common elements appurtenant thereto as amended from time to time, in accordance with and subject to the terms, limitations, conditions, covenants, restrictions, and other provisions of the Master Deed and Declaration of Restrictive and Protective Covenants of Society Hill at Morris II Condominium dated __________________and recorded on ________, in the Office of the Clerk of Morris County in Deed Book ______, Page________. et. seq.

> The owner's right, title and interest in this unit and the use, sale and resale of this property are subject to the terms, conditions, restrictions, limitations and provisions as set forth in the "Affordable Housing Plan for Society Hill at Morris II" dated __________________ which plan was filed in the Office of the Clerk of Morris County in Misc. Book ______ at Page _______ on ____________________ and is on file with the Lincoln Park Planning Department.

Being also known as Lot No. _______, in Block No._____, on the tax map of the Borough of Lincoln Park.

The GRANTOR promises the GRANTEE that Grantor has done no act to encumber the property. This promise is called a "covenant as to grantor's acts" (N.J.S.A. 46:4-6). This promise means that Grantor has not allowed anyone else to obtain any legal rights which affect the property.

This Deed has been signed and attested to by the appropriate officers of the GRANTOR and the corporate seal of the GRANTOR is affixed.

ATTEST:	K. HOVNANIAN AT MORRIS II, INC.
_______________________________	BY:_______________________________
NANCY SCHNEIDER, Asst. Secretary	JAMES P. BARRY, Vice President

Prepared by:
EDWARD A. ISRAELOW, ESQ.

STATE OF NEW JERSEY: ss
COUNTY OF MONMOUTH :

On ______________________________, 19______ NANCY SCHNEIDER, personally appeared before me and she acknowledged under oath that: she is the Assistant Secretary of K. HOVNANIAN AT MORRIS II, INC., the GRANTOR in this Deed; that she knows the proper seal of the GRANTOR and it is affixed to this Deed; this Deed was signed by JAMES P. BARRY, Vice President of the GRANTOR; she signed this Deed to attest to the signing of the Deed by JAMES P. BARRY; the Deed was signed and delivered by the GRANTOR as its voluntary act, which act was properly authorized by the Board of Directors of GRANTOR; she is signing this Certification to affirm the truthfulness of what has been set forth; and the full and actual consideration paid or to be paid for the transfer of title to the property described in this Deed, as such consideration is defined in N.J.S.A. 46:15-5, is
$____________________.

____
NANCY SCHNEIDER, Asst. Secty.

Sworn and Subscribed to before me at
Red Bank, New Jersey, the date aforesaid.

____

SPECIFIC POWER OF ATTORNEY

(I) (We), the above named GRANTEE, do hereby irrevocably name, make, appoint, constitute and confirm K. Hovnanian at Morris II, Inc., a corporation of the State of New Jersey, whose main office is 10 Highway 35, P.O. Box 500, Red Bank, New Jersey, and its assigns and successors, my true and lawful Attorney-in-Fact for (me) (us) for those specific and limited purposes as set forth in Paragraph 11, and its sub-paragraphs, and Paragraph 13 of the Master Deed and Declaration of Restrictive and Protective Covenants of Society Hill at Morris II Condominium, and for me (us) and in my (our) name(s), place and stead, to execute any such amendment(s) to the Master Deed and other instrument(s) necessary to effect the purposes set forth in Paragraph 11, and its sub-paragraphs of the Master Deed with the same force and effect as though I (we) were present and acting for myself (ourselves) and I (we) hereby ratify and confirm all that my said attorney-in-fact shall do by virtue hereof. This Power of Attorney shall not be affected by the fact that (I) (we) might become incompetent hereafter, but shall remain in full force and effect.

In witness whereof, (I) (we) hereunto set (my) (our) hand(s) this _____ day of ________________, 19___.

________________________________ GRANTEE
________________________________ GRANTEE

State of New Jersey)
)ss.
County of _________)

Be it remembered, that on this ____ day of ___________________, 19___, before me, the subscriber, ____________________________, personally appeared ____________________________, who, I am satisfied (is) (are) the person(s) named in and who executed the within Instrument, and thereupon acknowledged that the Instrument was signed, sealed and delivered as a voluntary act and deed for the uses and purposes therein expressed.

____
SUBSCRIBER

K. HOVNANIAN AT MORRIS II, INC. to ______________________________
CHARGE, RECORD & RETURN TO: ____

SECTION N. DOWNPAYMENTS AND DEPOSITS

All monies paid to the Developer prior to closing of Title shall be held by Midlantic National Bank/Merchants, 150 Broad Street, Red Bank, New Jersey, Attn: Trust Department as escrow agent for K. Hovnanian at Morris II, Inc. Deposit Escrow Account.

These monies will be held until closing or termination of the contract or until a bond or other guarantee acceptable to the Division of Housing and Development of the New Jersey Department of Community Affairs is provided. In no event shall the escrow be released prior to the expiration of the seven day recission period referred to in the "Foreword" of this Offering Statement.

SECTION O. TITLE INSURANCE POLICY

Attached on page 59 is a copy of a sample proposed title insurance policy containing all exceptions. The inclusion of the attached sample proposed title insurance policy is not to be construed as an offer to the public on the part of the Developer for sale of any title insurance for the proposed development. The title insurance is presently issued by Century/Intercounty Title Agency, Inc., 10 Park Place, Morristown, New Jersey 07960 as agent for Safeco Title Insurance Company. This representation is not made in order to induce the purchaser or prospective purchaser of any unit or interest in the development to purchase title insurance from any title insurance agency or company. The cost for title insurance and any accompanying cost for searches or other fees will be paid by the purchasers.

SECTION P. ENCUMBRANCES, EASEMENTS & RESTRICTIONS

The terms and conditions of the Master Deed and By Laws of the Condominium Association are restrictions on the use of each condominium unit.

In addition, fifty-six (56) of the condominiums are subject to the terms and conditions of the Affordable Housing Plan for Society Hill at Morris II.

Easements have been granted or shall be granted prior to completion of Society Hill at Morris II for the following utility companies servicing the development: New Jersey Bell Telephone Company, New Jersey Natural Gas Company, Jersey Central Power and Light Company, and to the Borough of Lincoln Park.

The developer will grant an access easement to Wildlife Preserves, Inc. along the easterly property line to enable Wildlife Preserves, Inc. to gain access to its landlocked premises.

A construction mortgage may exist on the property which will finance the construction of the entire project. Upon closing of title to each individual condominium unit, the lien of such mortgages will be released and cancelled of record as to the particular unit out of the proceeds of sale. Each purchaser will be offered the opportunity to obtain title insurance protecting his particular fee simple interest in his condominium dwelling unit.

SECTION Q. ADVERSE NATURAL FORCES

The Developer is unaware of any natural forces which would adversely affect, on a regular basis, the use and enjoyment of the property.

SECTION R. MAN-MADE FORCES

No portion of the development is subject to manmade forces which would tend to adversely affect the use or enjoyment of the property upon which the development is to be constructed.

SECTION S. EXISTING & ESTIMATED REAL ESTATES TAXES

Set forth below is a statement showing the assessment, tax ratio, tax rate, and real estate taxes for the land for the last six (6) years obtained from the Assessor's office of the Borough of Lincoln Park. This table is broken down into four sections: Block 136 - Lot 5 (buildings); Block 136 - Lot 5Q (Land-Farmland Assessment); Block 136 - Lot 8 (Building); Block 136 - Lot 8Q (Land-Farmland Assessment). Developer has purchased all of Block 136, Lots 5 and 5Q. Developer has purchased 15.184 acres of Block 136, Lots 8 and 8Q, while its Seller retained 5.26 acres.

Block 136 - Lot 5 (Building)

YEAR	TAX RATE PER $100 OF ASSESSED VALUATION	TAX RATIO	ASSESSMENT	REAL ESTATE TAXES
1980	4.88	63.19	$20,600	$1,005.28
1981	5.41	56.52	20,600	1,114.46
1982	5.59	49.50	20,600	1,151.54
1983	5.83	48.62	20,600	1,200.98
1984	2.90	100.14	44,000	1,276.00
1985	2.88	84.28	44,000	1,267.20

Block 136 - Lot 5Q (Land - Farmland Assessment)

YEAR	TAX RATE PER $100 OF ASSESSED VALUATION	TAX RATIO	ASSESSMENT	REAL ESTATE TAXES
1980	4.88	63.19	$5,200	$ 253.76
1981	5.41	56.52	5,200	281.32
1982	5.59	49.50	5,200	290.68
1983	5.83	48.62	5,200	303.16
1984	2.90	100.14	5,200	150.80
1985	2.88	84.28	5,200	149.76

Block 136 - Lot 8 (Building)

YEAR	TAX RATE PER $100 OF ASSESSED VALUATION	TAX RATIO	ASSESSMENT	REAL ESTATE TAXES
1980	4.88	63.19	$2,100	$ 102.48
1981	5.41	56.52	2,100	113.61
1982	5.59	49.50	2,100	117.39
1983	5.83	48.62	2,100	122.43
1984	2.90	100.14	5,000	145.00
1985	2.88	84.28	5,000	144.00

Block 136 - Lot 8Q (Land - Farmland Assessment)

YEAR	TAX RATE PER $100 OF ASSESSED VALUATION	TAX RATIO	ASSESSMENT	REAL ESTATE TAXES
1980	4.88	63.19	$8,700	$ 424.56
1981	5.41	56.52	8,700	470.67
1982	5.59	49.50	8,700	486.33
1983	5.83	48.62	8,700	507.21
1984	2.90	100.14	8,700	252.30
1985	2.88	84.28	8,700	250.56

The Developer will be responsible for any assessments including rollback taxes pursuant to the Farmland Assessment Act of 1964 (N.J.S.A. 54:4-23.1 et. seq.) against the subject property for which payments are due prior to delivery of the units to third parties.

The following is a list of estimated assessments and taxes on each unit in the development using the 1985 tax rate of $2.88 per $100 of assessed value and a tax ratio of 77.17 for 1986.

MODEL	ESTIMATED ASSESSMENT	ESTIMATED ANNUAL TAXES
5300	$99,950 -$107,950	$2,220 - $2,400
5302	$27,000 - $44,000	$ 655 - $1,070
5303	$33,000 - $53,000	$ 800 - $1,285

SECTION T. SPECIAL TAXES AND ASSESSMENTS

The developer is unaware of any projected special taxes or assessments which might affect the development. In the event that there are such special assessments or taxes levied prior to closing, it will be the responsibility of developer to satisfy them, and if levied subsequent to closing, it will be the responsibility of the unit owner of the unit against which such assessments were levied to satisfy such assessments or taxes.

SECTION U. CLOSING COSTS CHARGED BY THE DEVELOPER AND PAYABLE BY THE PURCHASER

The only closing cost that is charged directly by the Developer to the purchaser is a sum not to exceed $125.00 for a survey certification, if such survey certification is requested by the purchaser, to be furnished by Fellows Read Associates which will be billed to the Developer. This cost will be passed on to the purchaser at closing. The purchaser shall also be responsible for various escrow funds; i.e., for taxes, insurance, etc., as well as the appraisal inspection fees as may be required by any lending institution selected by the purchaser. The purchaser shall also be responsible for normal adjustments for real estate taxes and advance payments for services to be supplied by the utility companies. At the closing the Developer will collect on behalf of the Condominium Association a deposit equal to three (3) months of the monthly maintenance fee, which deposit is refundable upon resale of the unit.

SECTION V. WARRANTIES

The Developer will be a member of the Home Owners Warranty Corporation (HOW) Warranty Program before any units are sold. HOW provides the purchaser with a written warranty from the Developer, insurance which backs the Developer's warranty and extended insurance coverage on major structural defects. A copy of the form HOW insurance/warranty documents is attached hereto. Under the program the Developer warrants against defects caused by faulty workmanship or materials due to non-compliance with HOW approved standards for the first year of the program. The Developer's warranty continues for the second year to protect against defects in wiring, piping and duct work and electrical, plumbing, heating and cooling systems, and against major structural defects. In the event the Developer cannot or will not perform his warranty obligations, the insurance company assumes the responsibility. In addition, a national insurance company insures the purchaser against major structural defects during the ensuing eight (8) years of the ten (10) year warranty program.

In addition to the above mentioned warranties under the New Home Warranty and Builders Registration Act, with respect to the construction of the individual units, the Developer further warrants the following as required by the Planned Real Estate Development Full Disclosure Act, N.J.S.A.45: 148A-21 et seq.: The Developer expressly warrants that the units will substantially conform to the model available for inspection, if any, and used in the inducement to the purchaser to enter into a contract to purchase any of the units. In addition, the Developer expressly warrants that the common facilities will substantially conform to the description contained in the advertising literature with regard to the common facilities, the Developer warrants the construction of the common facilities for a period of two (2) years from the date of completion of each of the common facilities, and also warrants that the common facilities are fit for their intended use. The Developer shall repair or correct any defect in construction material or workmanship in the common facilities within a reasonable time after notification of the defect if notice of such defect is given to Developer with the two (2) year period. The Developer expressly warrants that the following shall be free from defect due to material and workmanship for a period of one (1) year from date of possession or settlement: outbuilding, driveways, walkways, patios, retaining walls and fences. Developer warrants that all drainage is proper and adequate and that all off site improvements installed by Developer shall be free from defect for a period of one (1) year from the date of construction. Developer further warrants that all lots, parcels, units or interest are fit for their intended use. While the developer maintains control of the executive board, he shall take no action which adversely affect a homeowners rights under N.J.A.C. 5:25-5.5. Claims relative to defects in common elements shall be processed in accordance with N.J.A.C. 5:25-5.5.

SECTION W. OTHER DEVELOPMENTS

The parent company of K. HOVNANIAN AT MORRIS II, INC., Hovnanian Enterprises, Inc., has various subsidiary companies that have developed other projects in New Jersey and in Pennsylvania, Texas, Georgia and Florida. Shadow Lake Village in Middletown Township, Monmouth County, New Jersey, contains 952 condominium dwelling units. Fox Hill Estates, located in Lower Makefield Township, Bucks County, Pennsylvania, was developed by Hovnanian Pennsylvania, Inc. Covered Bridge and Covered Bridge II, adult communities in Manalapan, New Jersey, containing 1557 and 274 condominium units respectively, were built by Hovnanian Enterprises, Inc.'s subsidiary corporation, Arrow Properties, Inc. Hovnanian at Old Bridge, Inc., recently constructed a 382 townhouse unit PUD in Old Bridge Township. Hovnanian at North Brunswick, Inc., has completed a 408 unit condominium complex in North Brunswick, while Hovnanian at Middletown, Inc., has completed a 366 unit adult community in Middletown. Hovnanian at Galloway, Inc. has completed a 180 unit complex in Galloway, New Jersey. K. Hovnanian at East Brunswick, Inc. has completed a 414 unit condominium complex in East Brunswick. K. Hovnanian at Morris, Inc. has completed a 344 unit condominium complex in Lincoln Park. K. Hovnanian at East Brunswick II, Inc. is presently constructing a 340 unit condominium development in East Brunswick, N.J. K. Hovnanian at Somerset, Inc. is presently constructing a 264 unit condominium complex in Franklin, N.J. K. Hovnanian at Hamilton, Inc. is currently constructing a 432 unit complex in Hamilton, N.J.

SECTION X. PURCHASERS RIGHT TO CANCEL

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.

YOU HAVE THE RIGHT TO CANCEL ANY CONTRACT OR AGREEMENT FOR THE PURCHASE OF ANY LOT, PARCEL, UNIT OR INTEREST IN THIS DEVELOPMENT, WITHOUT CAUSE, BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO THE DEVELOPER OR HIS AGENT BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH THE CONTRACT OR AGREEMENT IS EXECUTED, AND ALL MONIES PAID SHALL BE PROMPTLY REFUNDED.

BE SURE TO READ CAREFULLY ALL DOCUMENTS BEFORE YOU SIGN THEM.

SECTION Y. INSURANCE

The Association shall be required to obtain and maintain the following: (1) fire insurance with a broad form fire and extended coverage, vandalism and malicious mischief endorsements, insuring all the buildings containing the units and common elements therein (including in all of the units, the fixtures, appliances and carpeting initially installed therein by the Developer, but not including the painted or decorated surfaces of interior walls, furniture, furnishings, personal property, contents or personal liability of individual unit owners) together with all central utility and other service machinery contained therein, and all buildings, fixtures, equipment, and personal property owned by the Association, in the amount determined by the Board to be equal to replacement value. All such policies shall provide that in the event of a loss or damage, the proceeds of said policy or policies shall be payable to the Board of Trustees or to its designee as an insurance trustee on behalf of all of the owners, co-owners and mortgagees of units in said buildings. Said insurance trustee shall be obligated to apply said proceeds in conformance with provisions relating to damage to buildings, reconstruction, sale and obsolescence of the Condominium. Each of said policies shall contain a standard mortgagee clause in favor of each mortgagee of a unit and shall provide that the loss, if any, thereunder shall be payable to such mortgagee as its respective interest may appear, subject however, to the right of the Board or its designee as insurance trustee, to receive said proceeds to be applied to repair or reconstruction as provided herein, (2) workmens' compensation, and (3) public liability insurance insuring the Association and its members against liability for any negligent act of commission or omission attributable to the Association or any of its members and which occurs on or in any of the common elements of the Condominiums or the community or recreational facilities of the Association, (4) burglary, theft, and such other insurance as will protect the interest of the Association as common expenses.

All policies of physical damage insurance shall contain waivers of subrogation and of any reduction of pro-rata liability of the insurer as a result of any insurance carried by unit owners or of invalidity arising from any acts of the insured or any unit owners, and shall provide that such policies may not be cancelled or substantially modified without at least ten (10) days prior written notice to all of the insured, including all mortgagees of units.

Unit owners may obtain insurance for their own account and for their own benefit. No owner shall, however, insure any part of the common elements whereby, in the event of loss thereto, the right of the Association to recover the insurance proceeds for such loss in full shall be diminished in any way.

The amount shall be determined by the Board of Trustees sufficient to insure the common elements, personal property owned by the Association, central utility and other service machinery contained in all buildings as well as all buildings, fixtures, and equipment subject, however, after Board determination, to approval of all first mortgagees having mortgage liens upon Condominium units contained in said buildings.

During the building of the Condominium, the Developer will obtain builder's risk insurance which will cover any and all possible risks to the buildings of the Condominium, including, but not limited to, destruction of the premises by any means, vandalism, flood, fire, earthquake as set forth in AIA general conditions. Also, before the Association assumes the responsibility of this section, Developer will carry all other insurance coverage specified in AIA general conditions in the amount necessary to insure the interest of the mortgagee and all interested parties.

It is recommended that the unit owner carry the following liability and hazard insurance, and in addition thereto, may obtain any other policies of insurance deemed appropriate by the purchaser:

1. Condominium Owner's Policy;

2. Fire and Theft Policy;

3. Floater Policy to cover jewelry and other personal property and furs; and,

4. Worker's Compensation for any workers.

A letter from an insurance agency regarding the proposed insurance for Society Hill at Morris II is attached on pages 28a - 28k.

SECTION Z. OTHER INFORMATION

The model or sample homes constructed on the subject property are built, decorated and displayed in a manner presumed to fit the taste and lifestyle of the average prospective homeowner. Many decorator effects and features including, but not limited to, wall mirrors, mirrored doors, additional and upgraded appliances, furnishings, decorator light fixtures, upgraded floor and wall coverings and special paint, have been added by the Developer to display the variety of possible additional features offered by the Developer or available from some other source and to provide the feeling that the model or sample home is an occupied home.

The actual dwelling units to be sold will be built to the following standards:

1. All floor coverings are included with the home and are:

   a. Standard carpet on 5/16" polyurethane foam pad (all bedrooms, hall, dressing room, living and dining areas and appropriate closets). All carpeted areas shall be one color. All standard carpet colors and standard padding may be viewed along with optional upgrade carpeting and pad in the selection area of the Sales Office. Indoor-outdoor carpet as viewed in and around the models or on patios is not included.

   b. Kitchen, laundry areas and appropriate closets shall be covered in Vinyl as a standard. Optional and upgrade floor coverings may be viewed in the selection area of the Sales Office.

2. Master and main bath floors except associated dressing rooms and laundry areas shall be ceramic tile in the 5300 units. Models 5302 and 5303 shall be covered in these areas with vinyl as a standard. Fiberglass tubs and showers are standard. Shower enclosures are standard while tub enclosures are optional. Varity, medicine cabinets or mirroring above the varity is standard.

3. The standard kitchen cabinet is on display in the Selection Area. Upgrading of kitchen cabinets is available. Kitchen cabinet tops shall be at the selection of the purchaser from those choices offered.

4. Options are not available in the 5302 and 5303 units ("Mt. Laurel Units") and all selections with the exception of carpeting and vinyl flooring have been pre-selected by the Developer in Buildings 1, 3 and 5, which are factory built modular units.

5. Light fixtures included shall be kitchen and dining area fixtures, hall, bath fixtures, on covered patio, in storage areas and in walk-in closets. Decorator fixtures are not included. See all standard fixtures in the decorator selection area of the sales office.

6. Walls shall be painted off-white. Woodwork shall be painted semi-gloss off-white.

7. Exterior treatment shall be cultured stone with vinyl or aluminum siding at the option of the Builder. Exterior color combinations shall be at the option of Builder. Depending on location within a given building, the floor plan may be delivered as the brochure floor plan is presented or as a reverse configuration. In order to provide variety in aesthetics, the builder reserves the right to change within a building relative elevations, front building line setbacks, roof design, entrance coverings, trim and window styles. The builder will determine the model mix within any given building based on demand, aesthetics and efficiency of construction. The builder will use cost efficient and advanced building techniques, including pre-fab wall panels, pre-fab mechanical systems and factory built modular units.

8. Common area landscaping includes seeded, hydro-mulched,or sodded lawns. Each building is individually designed on an overall basis with shade trees, foundation plantings and a variety of shrubbery, all of which shall be planted in their appropriate seasons. Landscaping of model building is not typical.

9. Included appliances are: range hood, gas range and trash compactor. All other appliances are options or upgrades, i.e., refrigerators, washers, dryers and central air conditioning.

10. All windows and sliding doors include screens.

11. Units located on the ends of buildings may have an additional window. Floor plan room dimensions and related representations are approximate and will vary in construction.

12. All storage areas will be painted.

13. Zero clearance fireplaces are available in some units as an option. They include a built-in glass door and screen.

14. Optional and upgrade items offered by the Builder are subject to price increase. The only way to protect the price of such items is to order them and pay the amount due on order. Ordering early helps insure availability and helps in the orderly preparation of your new home. Options and upgrades are offered at the discretion of the Builder. Prices and availibility may change without notice. Materials offered as standard, options or upgrades may be changed at the discretion of the Builder. Materials offered as standard, options or upgrades may be changed at the discretion of the Builder based on availability and cost and the Builder may substitute materials so long as the substituted materials are of equal or better quality which determination shall be at the sole discretion of the Builder. Decorator selections must be completed in a timely fashion by the purchaser and within ten (10) days of the Seller's request that they be completed. Seller reserves the right to make the decorator selections if Buyer fails to do so. As mistakes are generated by change orders, changes are not allowed. Seller shall have the right to make substitution of materials, equipment, or make design changes whenever Seller shall find it necessary or expedient in its absolute discretion, provided that such substitution or changes are of equal or better quality. It shall be the obligation of the purchaser to know whether kitchen cabinets, kitchen cabinet top, kitchen floor, carpeting, appliances, fireplace, air conditioning, have been pre-selected due to the construction progress in the building. If upgrades or options have been pre-selected, the purchaser agrees to pay for same.

In compliance with Federal Trade Commission Regulations Rule 14 C F R Part 460, the following information concerning insulation in your new home is furnished.

a. The builder installs fiberglass batt or mineral wool loose and batt type of insulation which is manufactured to have an R value of R-13 in outside walls and R-30 in ceiling below attic space and R-11 between floors. In buildings 1, 3 and 5, there will be R-19 under first floor. In all other buildings there will be rigid foam perimeter foundation insulation.

b. The combined R value of outside wall assembly at the insulation cavity is R-14 where applicable. The primary entrance door is an insulated steel sheathed door and is fully weather stripped. Windows and sliding doors are dual glazed thermo break equipped, thermal insulated units. Anti air infiltration measures taken include the installation of a sill seal.

c. The manufactured thickness of the above types of insulation is as follows:

R-19 fiberglass batt	6"
R-13 fiberglass batt or mineral wool batt	3 5/8"
R-11 fiberglass batt	3 1/2"
R-30 fiberglass batt or loose mineral wool	9"
Rigid foam perimeter foundation insulation	1"

A copy of the most recent financial statement of the developer is available in the sales office for the public's inspection.

Jacobson Goldfarb Scott inc.

FEBRUARY 20, 1986

ROBERT KRUGH
CONDOMINIUM MANAGEMENT COMPANY
10 ROUTE #35
RED BANK, NJ 07701

RE: SOCIETY HILL AT MORRIS II
PROPOSED CONDO INSURANCE PROGRAM

DEAR MR. KRUGH:

AFTER REVIEWING THE PLANS FOR THE NEW CONDOMINIUM, I HAVE PUT TOGETHER A PROPOSAL FOR THEIR INSURANCE PROGRAM PER YOUR REQUEST. ALL QUOTES ARE BASED ON COMPLETED VALUES, AS IF THE UNITS WERE PRESENTLY BUILT AND READY FOR OCCUPANCY. OUR RECOMMENDATIONS ARE AS FOLLOWS:

PROPERTY INSURANCE	100 VALUE
276 CONDO UNITS	$9,174,240*
RECREATION BLDG. INCL CONTENTS	61,000
TENNIS COURTS, POOL, MISC. PROPERTY	94,000
TOTAL PROPERTY INSURED AT 100	$9,329,240

*EXCLUDING LAND AND LAND IMPROVEMENT VALUES

COVERAGE INCLUDES:

"ALL-RISK" BUILDING & CONTENTS - $100 PER CLAIM DED.
REPLACEMENT COST
AGREED AMOUNT
CONDOMINIUM ENDORSEMENT
FIDELITY INSURANCE - $100,000

SPECIAL NOTE:

COVERAGE IS DESIGNED TO INCLUDE ALL FIXTURES, CABINETS, AND IMPROVEMENTS CONTAINED IN THE MODEL UNIT, WITHOUT ANY OPTIONAL IMPROVEMENTS PURCHASED BY THE OWNER. ALL COVERAGES CONTAIN A $1,000 DEDUCTIBLE. COVERGAE DOES NOT INCLUDE GLASS OF ANY NATURE IN ANY OF THE RESIDENTIAL UNITS.

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COMPREHENSIVE GENERAL LIABILITY

COMBINED SINGLE LIMIT - $1,000,000

COVERAGE INCLUDES:

- COMPREHENSIVE GENERAL LIABILITY
- PERSONAL INJURY
- BROADENED FORM CGL
- CROSS LIABILITY
- BROAD NAMED INSURED
- NON-OWNERSHIP LIABILITY

ESTIMATED ANNUAL PREMIUM
PROPERTY AND COMPREHENSIVE GENERAL LIABILITY
INCLUDING FIDELITY INSURANCE — $34,500

UMBRELLA LIABILITY

$2,000,000 - COMBINED SINGLE LIMIT

ANNUAL PREMIUM — $ 2,200

DIRECTORS AND OFFICERS LIABILITY

COVERAGE IS USUALLY REQUIRED BY THE ASSOCIATION ON BEHALF OF ALL DIRECTORS AND OFFICERS. POLICY INCLUDES BUILDER/DEVELOPER AND UNIT-OWNER DIRECTORS, AS WELL AS EMPLOYEES AND VOLUNTEERS.

ESTIMATED ANNUAL PREMIUM FOR $2,000,000 — $ 1,350

TOTAL INSURANCE

PROPERTY - CGL	$34,500	
UMBRELLA LIABILITY	2,200	
DIRECTORS AND OFFICERS	1,350	
ESTIMATED ANNUAL PREMIUM		$38,050

Jacobson Goldfarb Scott inc

SUMMARY

THE COVERAGES SUGGESTED ABOVE ARE THOSE USUALLY REQUIRED BY THE ASSOCIATION. COST ESTIMATES ARE BASED ON PREMIUMS IN EFFECT AS OF FEBRUARY, 1986.

OPINION

IT IS OUR OPINION THAT THE INSURANCE PROGRAM RECOMMENDED IS ADEQUATE FOR YOUR CONDOMINIUM ASSOCIATION. THE INSURANCE COMPANY ALSO CONCURS IN THIS OPINION SINCE THEY ARE PROVIDING COVERAGE ON BOTH REPLACEMENT COST AND AGREED AMOUNT.

CONDO UNIT OWNERS INSURANCE

THIS IS A SPECIAL POLICY DESIGNED BY THE INDUSTRY TO PROVIDE COVERAGES NEEDED BY THE CONDO UNIT OWNER. THE POLICY IS AN HO-6 AND IS DESIGNED TO COVER ALL PROPERTY AND LIABILITY EXPOSURES USUAL TO A HOMEOWNER BUT MODIFIED TO ADAPT TO THE CONDOMINIUM REQUIREMENTS. COST WILL VARY BY UNIT, BUT IT IS BASED SOLELY ON THE PERSONAL POSSESSIONS SUCH AS FURNITURE, CLOTHING, ETC. IN ADDITION, THERE IS COVERAGE ON IMPROVEMENT AND BETTERMENTS WITH A LIMIT OF $1,000. COVERAGE ON THIS OPTION MAY BE INCREASED IF THE INDIVIDUAL UNIT OWNER MAKES SUBSTANTIAL CHANGES PRIC TO OCCUPANCY. IT CAN AND SHOULD BE REVIEWED PERIODICALLY AND INCREASED AS NEEDS DICTATE.

THE TYPICAL HO-6 POLICY IS PRICED AS FOLLOWS:

CLOTHING & FURNITURE - VALUE	$ 20,000
COMPREHENSIVE PERSONAL LIABILITY	$100,000
EXTENDED THEFT COVERAGE	INCLUDED
IMPROVEMENTS AND BETTERMENTS	$ 1,000

ANNUAL COST $165.00

I BELIEVE THAT THE FOREGOING INFORMATION SHOULD ENABLE YOU TO SET FORTH A REASONABLE INSURANCE BUDGET BASED ON THE PROJECTED ACTIVITIES. OBVIOUSLY, INDIVIDUAL COVERAGES AND EMBELLISHMENTS SHOULD BE DISCUSSED IN MORE DETAIL. I HOPE THIS HAS BEEN OF SOME ASSISTANCE TO YOU.

VERY TRULY YOURS,

JACOBSON, GOLDFARB & SCOTT, INC.

SAMUEL L. HAGER
EXECUTIVE VICE PRESIDENT

Jacobson Goldfarb Scott inc

Jacobson Goldfarb Scott inc.

March 4 ,1986

Mr. Robert Krugh
c/o K. Hovnanian Co.
10 Route 35
Red Bank , New Jersey 07701

Re: Letter of Adequacy
Society Hill At Morris II

Gentlemen:

In accordance with your request , we have reviewed and examined the insurance Requirement for Society Hill At Morris II. Based on our analysis, we are pleased to recommend the following Insurance coverages.

1. **PROPERTY** Coverage would be written on a blanket basis covering all Condominium buildings including recreation buildings, if any, and personal property owned by the Association. Coverage provided under the policy would be on an "all-risk" perils basis including Replacement Cost and Agreed Amount. All covered property would be subject to a policy deductible of $1,000 each occurrence. At the option of the Association the policy can be extended to include damage from flood and earthquake and reimbursement of monthly maintenance fees in the even of a covered loss.

   Values of the building are based on the completed construction value of the current project. These values should reflect the current Replacement Cost of the buildings. An annual review of this value by the Association will ensure that insurance to value is maintained.

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2. **COMPREHENSIVE GENERAL LIABILITY** Liability insurance would be designed to provide comprehensive protection for all common areas including swimming pool and all recreational facilities. The limit under this section would be $1,000,000 each occurrence. The basic policy would be extended to include the broadening CGL endorsement which includes Personal Injury Liability, Broad Form Property Damage, Host Liquor Liability, Blanket Contractural Liability, Medical Payments, Independent Contractors, Advertising Liability, Employees as Additional Insureds, Incidental Medical Malpractice, Fire Legal Liability, Extended Bodily Injury, Non-owned and Hired Automobile Liability, etc.

3. **DIRECTORS AND OFFICERS LIABILITY** Coverage would be provided for all present and past members who serve on the Board of Trustees for the Association. The policy would have a limit of $1,000,000 subject to a $1,000 deductible.

4. **UMBRELLA LIABILITY** This policy would provide excess limit of Liability above the primary Comprehensive General Liability, Non-owned and Hired Automobile Liability, and Directors and Officers Liability policies. A minimum limit of $2,000,000 for each occurrence is recommended, however, higher limits are suggested for consideration by the Association.

5. **WORKERS COMPENSATION** Coverage would be provided for injuries to employees during the course of employment. Benefits would be based upon the statutory requirements prescribed by the State of New Jersey. The Broad Form All-States Endorsement would be included. The policy would be issued on a minimum premium basis subject to audit at expiration.

6. **COMPREHENSIVE AUTOMOBILE** If the Association owns any vehicles, this policy would be provided for a combined single limit of $1,000,000 and would also include the necessary comprehensive and collision coverages.

7. **COMPREHENSIVE CRIME INSURANCE** This policy would provide coverage for the Association as a result of fraudulent and dishonest acts of its employees, loss of money and securities on and off premises, depositors forgery and counterfeit money and paper currency. The limit for Employee Dishonesty coverage would be $100,000; each of the remaining three coverages would have a limit of $1,000.

8. **BOILER AND MACHINERY INSURANCE** To comply with State requirements, the necessary boiler and machinery coverage will be provided on a Broad Form Repair or Replacement Cost basis.

9. **UNIT OWNERS INSURANCE** A Broad Form Condominium Unit Owners policy commonly referred to as an HO-6, should be purchased at the option of the Unit Owner to cover their personal belongings, furniture and fixtures, and any upgrades purchased as options by the Unit Owner.

Implementation of the foregoing coverages should be adequate to meet the basic needs of the Association in insuing the exposures usual to Condominium Associations. Premium summary for the coverage is shown in attached summary sheet.

Very truly yours,

JACOBSON, GOLDFARB & SCOTT, INC.

Samuel L. Hager

Samuel L. Hager, A.A.I.

SLH:pb

Jacobson Goldfarb Scott Inc

SOCIETY HILL AT MORRIS II
INSURANCE PREMIUM ESTIMATE
Valued as of March 4 , 1986

	COVERAGE	AMOUNT	PREMIUM
1.	Property Insurance 24 - Units - 100 Insurable Value	$792,000	$ 3,400
2.	Comprehensive Gen. Liab.	$1,000,000	Included
3.	Directors & Officers Liab.	$2,000,000	$ 1,350
4.	Umbrella Liability	$2,000,000	$ 1,500
5.	Worker's Comp.	Statutory	No Exposure
6.	Comprehensive Auto	$1,000,000	No Exposure
7.	Comprehensive Crime	$ 100,000	Included
8.	Boiler & Machinery		No Exposure
9.	Unit Owners Insurance		No Exposure
	TOTAL ESTIMATED ANNUAL PREMIUM		$ 6,250

The premiums estimated above are based on rates in effect in March, 1986. Actual premiums may vary, based on the date coverage actually attaches.

Jacobson Goldfarb Scott Inc

Jacobson Goldfarb Scott inc.

March 4 ,1986

Mr. Robert Krugh
c/o K. Hovnanian Co.
10 Route 35
Red Bank , New Jersey 07701

Re: Letter of Adequacy
Society Hill At Morris II

Gentlemen:

In accordance with your request , we have reviewed and examined the insurance Requirement for Society Hill At Morris II. Based on our analysis, we are pleased to recommend the following Insurance coverages.

1. **PROPERTY** Coverage would be written on a blanket basis covering all Condominium buildings including recreation buildings, if any, and personal property owned by the Association. Coverage provided under the policy would be on an "all-risk" perils basis including Replacement Cost and Agreed Amount. All covered property would be subject to a policy deductible of $1,000 each occurrence. At the option of the Association the policy can be extended to include damage from flood and earthquake and reimbursement of monthly maintenance fees in the even of a covered loss.

   Values of the building are based on the completed construction value of the current project. These values should reflect the current Replacement Cost of the buildings. An annual review of this value by the Association will ensure that insurance to value is maintained.

460 ROUTE 9 NORTH • WOODBRIDGE, N.J. 07095 • TELEPHONE: (201) 636-4949

2. **COMPREHENSIVE GENERAL LIABILITY** Liability insurance would be designed to provide comprehensive protection for all common areas including swimming pool and all recreational facilities. The limit under this section would be $1,000,000 each occurrence. The basic policy would be extended to include the broadening CGL endorsement which includes Personal Injury Liability, Broad Form Property Damage, Host Liquor Liability, Blanket Contractural Liability, Medical Payments, Independent Contractors, Advertising Liability, Employees as Additional Insureds, Incidental Medical Malpractice, Fire Legal Liability, Extended Bodily Injury, Non-owned and Hired Automobile Liability, etc.

3. **DIRECTORS AND OFFICERS LIABILITY** Coverage would be provided for all present and past members who serve on the Board of Trustees for the Association. The policy would have a limit of $1,000,000 subject to a $1,000 deductible.

4. **UMBRELLA LIABILITY** This policy would provide excess limit of Liability above the primary Comprehensive General Liability, Non-owned and Hired Automobile Liability, and Directors and Officers Liability policies. A minimum limit of $2,000,000 for each occurrence is recommended, however, higher limits are suggested for consideration by the Association.

5. **WORKERS COMPENSATION** Coverage would be provided for injuries to employees during the course of employment. Benefits would be based upon the statutory requirements prescribed by the State of New Jersey. The Broad Form All-States Endorsement would be included. The policy would be issued on a minimum premium basis subject to audit at expiration.

6. **COMPREHENSIVE AUTOMOBILE** If the Association owns any vehicles, this policy would be provided for a combined single limit of $1,000,000 and would also include the necessary comprehensive and collision coverages.

7. **COMPREHENSIVE CRIME INSURANCE** This policy would provide coverage for the Association as a result of fraudulent and dishonest acts of its employees, loss of money and securities on and off premises, depositors forgery and counterfeit money and paper currency. The limit for Employee Dishonesty coverage would be $100,000; each of the remaining three coverages would have a limit of $1,000.

8. **BOILER AND MACHINERY INSURANCE** To comply with State requirements, the necessary boiler and machinery coverage will be provided on a Broad Form Repair or Replacement Cost basis.

9. **UNIT OWNERS INSURANCE** A Broad Form Condominium Unit Owners policy commonly referred to as an HO-6, should be purchased at the option of the Unit Owner to cover their personal belongings, furniture and fixtures, and any upgrades purchased as options by the Unit Owner.

Implementation of the foregoing coverages should be adequate to meet the basic needs of the Association in insuing the exposures usual to Condominium Associations. Premium summary for the coverage is shown in attached summary sheet.

Very truly yours,

JACOBSON, GOLDFARB & SCOTT, INC.

Samuel L. Hager

Samuel L. Hager, A.A.I.

SLH:pb

Jacobson Goldfarb Scott inc

SOCIETY HILL AT MORRIS II
INSURANCE PREMIUM ESTIMATE
Valued as of March 4 , 1986

	COVERAGE	AMOUNT	PREMIUM
1.	Property Insurance - incl. clubhouse and msc. 180- Units - 100 Insurable Value	$6,017,240	$ 22,875
2.	Comprehensive Gen. Liab.	$1,000,000	Included
3.	Directors & Officers Liab.	$2,000,000	$ 1,350
4.	Umbrella Liability	$2,000,000	$ 2,200
5.	Worker's Comp.	Statutory	No Exposure
6.	Comprehensive Auto	$1,000,000	No Exposure
7.	Comprehensive Crime	$ 100,000	Included
8.	Boiler & Machinery		No Exposure
9.	Unit Owners Insurance		No Exposure
	TOTAL ESTIMATED ANNUAL PREMIUM		$ 26,425

The premiums estimated above are based on rates in effect in March , 1986. Actual premiums may vary, based on the date coverage actually attaches.

Jacobson Goldfarb Scott inc

SUMMARY OF BASIC PROVISIONS

The SELLER: K. Hovnanian at Morris II, Inc.

Located at: 10 Highway 35, P.O. Box 500, Red Bank, NJ 07701, Telephone: (201) 747-7800

The BUYER(S): ____________ of ____________, ____________ ________, ________. ________ ZIP
Telephone: ________ res. ________ work

____________ of ____________, ____________ ________, ________. ________ ZIP
Telephone: ________ res. ________ work

(DO) (DO NOT) intend to occupy the Premises as a Primary Residence.

The PROPERTY: PROJECT - Society Hill at Morris II, Lincoln Park, NJ
BLDG. NO.: ________, UNIT NO.: ________, MODEL: ________

TOTAL PURCHASE PRICE: $________.____ ____________
Consisting of:
BASE PRICE of MODEL: $____,____.____
and Premiums:
____________ $____,____.____
____________ $____,____.____
____________ $____,____.____
____________ $____,____.____

The PAYMENT TERMS:

INITIAL DEPOSIT	$____,____.____	ON DATE ____/____ 19__
ON SIGNING CONTRACT	$____,____.____	BY DATE ____/____ 19__
ADDITIONAL DEPOSIT	$____,____.____	BY DATE ____/____ 19__
and the BALANCE of	$____,____.____	PAID BY CERTIFIED CHECK
TOTAL PAYMENT	$____,____.____	

MORTGAGE AMOUNT: $____,____.____ MORTGAGE CONTINGENCY DATE ____________ 19__
ESTIMATED COMPLETION DATE ____________ 19__
MONTH DAY YEAR

NON-BINDING DEPOSIT

The Non-Binding Deposit Agreement shall consist of the terms set forth on this page, and the terms and conditions as set forth in the section titled NONBINDING DEPOSIT AGREEMENT attached. The amount of Non-Binding Deposit shall not exceed $2,500.00

(BUYER) ____________ DATE

(BUYER) ____________ DATE

K. Hovnanian at Morris II,Inc.

(BUYER) ____________ DATE

SELLER ____________ DATE (BUYER) ____________ DATE

Execution of both this Summary and the attached "NON-BINDING DEPOSIT AGREEMENT" is required.

PURCHASE AGREEMENT

This Agreement shall consist of the terms set forth on this page, and the terms and conditions as set forth in the section titled: "TERMS AND CONDITIONS - PURCHASE AGREEMENT" attached. This section is not effective until signed and notice is given to you per the Fifteen Day Non-Binding Deposit Agreement if applicable.

(BUYER) ____________ DATE

(BUYER) ____________ DATE

K.Hovnanian at Morris II,Inc.

(BUYER) ____________ DATE

(SELLER) ____________ DATE (BUYER) ____________ DATE

Execution of both this Summary and the attached "TERMS AND CONDITIONS - PURCHASE AGREEMENT" is required.

TERMS AND CONDITIONS - PURCHASE AGREEMENT

1. **DEPOSITS**-All deposits shall be held in escrow in "Society Hill at Morris II Escrow Account" at Midlantic National Bank/Merchants, 150 Broad Street, Red Bank, New Jersey 07701, Attn: Trust Department as escrow agent for K. Hovnanian at Morris II, Inc. Deposit Escrow Account until closing or termination of this Contract, or until a bond or other guarantee acceptable to the Division of Housing and Development of the New Jersey Department of Community Affairs is provided. In no event shall the escrow be released prior to the expiration of the seven-day cancellation period. Interest accrued from such deposits shall belong to Seller and shall not be credited towards the purchase price.

2. **CLOSING CHARGES**-If this is a cash sale, and Buyer desires title search, title examination, title insurance policy, survey, or survey certification, and recording fees, Buyer will pay the costs for same which are estimated to be $600.00. If this is a mortgage sale, Buyer will pay the expenses in the preceding sentence and also application fee, credit report, appraisal, mortgage title insurance and any fees or costs required by mortgagee. These fees expressly exclude escrows and prepaid charges incidental to a mortgage closing.

3. **ADJUSTMENT**-Taxes for the current year, municipal assessments, maintenance fees, utilities, water rent, sewer rent, and interest, if any, are to be apportioned as of the date of closing.

4. **CLOSING OF TITLE**-Closing of title is to take place immediately after completion of the unit at the time, date and place specified by Seller in notice to Buyer. The estimated completion date shall be as stated on SUMMARY OF BASIC PROVISIONS. Completion shall be evidenced by a Certificate of Occupancy issued by the Municipality. Neither Seller nor mortgagee supplies or pays for attorney for Buyer. Buyer may have his own attorney at Buyer's own expense. The Buyer will close title even if all site improvements and other improvements may not have been completed. By way of compliance with the Interstate Land Sales Act, the Seller states that this Agreement is for the sale of a condominium unit on improved land which the Seller, if there are no unanticipated circumstances totally outside of the control of the Seller, is obligated to erect that unit within a period of two years. If Buyer is unable or refuses to close on the date and the time specified by Seller as set forth above, at Seller's option, Seller may exercise its rights set forth in paragraph 12 below or have Buyer reimburse Seller at closing for the total reasonable carrying costs for postponing the closing to another time, date and place specified by Seller.

5. **TITLE**-Seller agrees to deliver a Bargain and Sale Deed with Covenants Against Grantor's Acts, Affidavit of Title, and Corporate Resolution at closing of title. Title shall be good and marketable such as will be insured at regular rates by a reputable title company. The willingness of Century/Intercounty Title Agency, Inc. as agent for Safeco Title Insurance Company, 10 Park Place, Morristown, New Jersey 07960 to insure title to the premises shall constitute good and marketable title. Buyer is not obligated to obtain title insurance from Century/Intercounty Title Agency, Inc.

6. **POSSESSION**-Possession will be given by delivery of the Deed upon completion of final closing and receipt of the full purchase price by the Seller as provided for in this Agreement, together with all closing costs.

7. **BUYERS REPRESENTATION**-Buyer represents that he has received a copy of the Public Offering Statement, the Master Deed and Declaration of Restrictive and Protective Covenants and By-Laws (the "Documents") and that he will comply with the terms of the Documents.

8. **CHANGES IN PLANS**-Seller shall have the right to make substitution of materials, equipment or make design changes whenever Seller shall find it necessary or expedient in its absolute discretion, provided that such substitutions or changes are of equal or better quality. Furnishings, of course, are not included.

9. **FIRE AND OTHER CASUALTY**-The risk of loss or damage to the property by fire or otherwise until closing of title is on the Seller.

10. MEMBERSHIP IN SOCIETY HILL AT MORRIS II CONDOMINIUM ASSOCIATION, INC.-Buyer acknowledges this to be a subscription to membership in Society Hill at Morris II Condominium Association, Inc., (the "Association") which Association will provide supervision, fiscal and general maintenance and management for the recreation areas, common areas, and Association owned lands, including the assessing and collection of common expenses, together with the authority to promulgate rules and regulations as to the use of the recreational area and common areas of the development. At closing of title, Seller on behalf of the Association shall collect a maintenance deposit in an amount equal to three (3) months estimated maintenance fees. This deposit will be administered in accordance with the Master Deed and the By Laws of the Association.

11. LICENSE-The Buyer does hereby authorize and grant to the Seller the irrevocable right to enter into, upon, over or under the premises for a period of two (2) years after date of delivery of Deed for the completion of construction, repair, emergency matters or pursuant to governmental order or requirement. This provision shall survive delivery of Deed.

12. DEFAULT OF BUYER-Should Buyer fail to make payments, violate any of the conditions or covenants or fail, for any reason, to close title according to the terms and conditions of this Agreement, the Buyer will be in default. If the buyer is in default, the Seller may retain payments made by Buyer, but not more than 10% of the purchase price, plus the amount of any extras or changes installed by Seller. Seller will retain the money either on account of the purchase price or as liquidated damages. If Seller elects to retain money as liquidated damages, this contract shall become null and void. The Seller agrees to return to Buyer all remaining money upon execution and delivery by Buyer to Seller of a release of this Agreement.

13. DEFAULT OF SELLER-If Seller's title proves unmarketable, or if Seller does not construct, complete, or convey the dwelling unit referred to in this Agreement within six (6) months of the date specified on the Summary of Basic Provisions as the Estimated Completion Date due to any reason beyond the control of the Seller, either Seller or Buyer may elect to cancel this Agreement by serving written notice of cancellation upon the other party within fifteen (15) calendar days after the date which is six (6) months following the specified Estimated Completion Date. In the event that either party elects to cancel this Agreement as described in the preceding sentence, Seller's sole obligation shall be to return all deposit monies paid under this Agreement, without interest, and reimburse Buyer for reasonable out of pocket expenses for title search and survey actually expended, if any, and this contract shall become null and void. If neither party elects to cancel this Agreement as described in this paragraph, then this Agreement shall remain in full force and effect. The phrase "for any reason beyond the control of the Seller" is hereby defined as including but not limited to any governmental agency's imposition of a moratorium on construction or any such agency's failure to issue or its revocation or suspension of any permits and/or approvals necessary for the Seller to perform its obligation in accordance with the terms of this Agreement.

14. ASSIGNMENT-Buyer expressly agrees not to assign, sell or in any manner transfer this Agreement or any right, title and interest in this Agreement.

15. NO CLOUD ON TITLE - LIENS-If the property is subject to a mortgage or other lien at time of closing of title, the mortgage or other lien shall not constitute a title defect, but may be satisfied from the proceeds of sale.

16. DECORATOR SELECTIONS-Buyer agrees to make decorator selections, appliance and extra item selections when requested to do so by Seller. If Buyer fails to make such selections within the time period requested by Seller, Buyer hereby agrees that Seller shall make such selections for Buyer and Buyer agrees to accept such selections.

17. WARRANTIES-Seller shall warrant the construction to the Buyer as provided in the New Home Warranty Act. Seller also warrants the construction of the common facilities for a period of two (2) years from the date of completion of each of the common facilities and that the common facilities are fit for their intended use. Further, the Seller warrants the following to be free from defects due to material and workmanship for a

period of one (1) year from the date of closing: outbuildings, driveways, walkways and patios, retaining walls and fences, if any. Seller also warrants that all drainage is proper and adequate and that offsite improvements, if any, are free from defects for a period of one year from the date of construction. Except as stated in this Agreement, there are no other warranties, express or implied. In particular, there is no implied warranty of fitness for a particular purpose, nor is there any implied warranty of merchantability. While Seller maintains control of the executive board, he shall take no action which adversely affects a homeowner's rights under N.J.A.C. 5:25-5.5. Claims relative to defects in common elements shall be processed in accordance with N.J.A.C. 5:25-5.5.

18. ENTIRE AGREEMENT REPRESENTATIONS-This Agreement and any Riders attached to this writing and the application for registration with the New Jersey Division of Housing and Development contain the entire agreement between the parties. Any modification of this Agreement shall not be binding unless such modification shall be in writing and signed by both the Buyer and an officer of Seller. This Agreement shall be binding upon and inure to the benefit of the parties respective heirs, successors, administrators and executors.

19. SITE VISITS-No Buyer nor contractor designated by the Buyer shall be allowed to do any work whatever in any home prior to closing of title. Insurance regulations preclude Buyer entry into homes under construction without being accompanied by a Builder Representative and such entry will only be allowed by appointment. Visits to a unit under construction are limited to one (1) visit except for the preoccupancy inspection (see paragraph 20, below) prior to closing of title and are not allowed after the commencement of the final finish stage of construction and shall not occur after 11 AM on any weekend day. It is expressly agreed that a breach of this paragraph shall constitute a default under this Agreement.

20. PREOCCUPANCY INSPECTION-Prior to closing of title, Seller will specify the time and date for a walk-through inspection of the property by Buyer. Those items which may be required to be completed or repaired in order to satisfy building code or Home Owners Warranty Corporation standards will be entered on a preoccupancy inspection report. The listed items will be repaired or completed as soon as possible after closing. Defects in painted surfaces, chipped porcelain, plumbing fixtures, kitchen appliances, countertops, carpeting, flooring, chipped tiles, screens, glass surfaces or similar defects not noted on this walk-through for correction are excluded from the builder's responsibility. It is understood that the listed items shall not constitute a bar to closing of title, and that the closing of title will be held in accordance with this Agreement.

21. CHANGES IN PRICE-Buyer understands that Seller may offer similar units at prices higher or lower than this unit's purchase price.

22. MORTGAGE CONTINGENCY-Only if an amount is filled in on the SUMMARY OF BASIC PROVISIONS for MORTGAGE AMOUNT shall this paragraph 22 be applicable. Buyer represents to Seller that he is in need of a mortgage to complete this transaction.

The Buyer shall make immediate application for, and this Agreement is contingent upon Buyer obtaining a written mortgage commitment no later than the Mortgage Contingency date stated in the SUMMARY OF BASIC PROVISIONS, for not more than the mortgage amount stated in the SUMMARY OF BASIC PROVISIONS at the prevailing rate of interest based upon a payment term of not less than 30 years. The mortgage obtained may be any type of mortgage in use in the State of New Jersey, including, but not limited to, what is usually known as "negative amortization" or "deferred interest" type mortgage loans, The term "prevailing rate of interest" is defined to mean the rate charged by any lender or lenders doing business in Morris County. The Buyer shall timely comply with the requests of the mortgage lender in order to determine if Buyer qualifies for such mortgage loan. Buyer shall not withdraw any loan application and shall pay any and all fees and charges in connection with such application. In the event that Buyer receives a mortgage commitment containing conditions or contingencies for which Buyer is responsible, it shall be the Buyer's obligation to satisfy such conditions or contingencies so that closing of title can take place in accordance with paragraph 4 of this Agreement. Failure of Buyer to satisfy such conditions or contingencies shall be deemed a default by Buyer. If Buyer's purchase is contingent upon receiving a mortgage commitment and

Buyer receives a mortgage commitment containing the contingency that Buyer must either sell or lease Buyer's present residence, and Buyer fails to satisfy such contingency and subsequently fails to complete the purchase of the unit in accordance with this Agreement, the Buyer shall be in default of this Agreement. If Buyer does not notify Seller in writing by the Mortgage Contingency date stated in SUMMARY OF BASIC PROVISIONS that a mortgage commitment has not been received, the agreement to purchase the premises shall be in full force and effect without any mortgage contingency. If the Buyer does notify the Seller in writing by the Mortgage Contingency date stated in SUMMARY OF BASIC PROVISIONS that a mortgage commitment has not been received, then Buyer, at the same time, shall also provide Seller with proof that Buyer timely made application for a mortgage commitment and proof that such mortgage application was either denied or still awaiting determination. Seller may then elect either (1) to return all the deposit monies without interest and cancel this Agreement, or (2) to direct Buyer to apply for a mortgage commitment consistent with the term, amount, and interest rate criteria as set forth above at a lending institution selected by Seller, and Buyer agrees to execute all documents, timely comply with all reasonable requests of such lender, and pay all reasonable fees and costs in connection with this application, or (3) Seller may take back a purchase money mortgage from the Buyer at the then prevailing rate of interest. In the event a mortgage commitment is not obtained within 45 days from the date of second application or Seller elects not to take back a mortgage, Seller shall return all deposit monies to the Buyer without interest and this Agreement shall be of no further effect.

23. **INSULATION**-In compliance with Federal Trade Commission Regulations Rule 16 C F R Part 460, the following information concerning insulation in your Society Hill at Morris II home is furnished. (A) The builder installs fiberglass batt or mineral wool loose and batt type of insulation which is manufactured to have an R value of R-13 in outside walls and R-30 in ceilings below attic space and R-11 between floors. In buildings 1, 3 and 5, there will be R-19 under first floor. In all other buildings there will be rigid foam perimeter foundation insulation. (B) The Combined R value of outside wall assembly at the insulation cavity is R-14 where applicable. The primary entrance door is an insulated steel sheathed door and is fully weather stripped. Windows and sliding doors are dual glazed thermo break equipped, thermal insulated units. Anti air infiltration measures taken include the installation of a sill seal. (C) The manufactured thickness of the above types of insulation is as follows: R-13 fiberglass batt or mineral wool batt - 3 5/8"; R-11 fiberglass batt - 3 1/2"; R-30 fiberglass batt or loose mineral wool - 9"; R-19 fiberglass batt - 6"; rigid foam perimeter foundation insulation - 1".

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first written below.

BUYER ACKNOWLEDGES RECEIPT OF A COPY OF THE PUBLIC OFFERING STATEMENT.

NOTICE TO PURCHASERS

YOU HAVE THE RIGHT TO CANCEL A CONTRACT OR AGREEMENT BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO THE DEVELOPER BY MIDNIGHT OF THE SEVENTH CALENDAR DAY FOLLOWING THE DAY ON WHICH IT IS EXECUTED. SUCH CANCELLATION IS WITHOUT PENALTY, AND ALL MONIES PAID SHALL BE PROMPTLY REFUNDED IN THEIR ENTIRETY.

K. HOVNANIAN AT MORRIS II, INC.

BY:______________________
Vice President

____
BUYER

DATE:______________________

____
BUYER

DATE:______________________

____
BUYER

ROBERT C. KRUGH
COMMUNITY MANAGEMENT CO., INC.
10 HIGHWAY 35 • P.O. BOX 500
RED BANK, NEW JERSEY 07701

Board of Trustees
Society Hill at Morris II
c/o Edward A. Israelow, Esq.
10 Highway 35
Red Bank, N.J. 07701

This Agreement is made and entered into May 1, 1985 by and between **Society Hill at Morris II,** a non-profit Corporation of the State of New Jersey, hereinafter referred to as the "Association" and **Robert C. Krugh Condominium Management Company, Inc.** located at 10 Highway 35, Red Bank, New Jersey 07701, hereinafter referred to as "Management".

"Management" will provide all of the usual functions performed by a Management Company, including but not limited to, Administration, Facilities and Financial Management, preparation of Proposed Budgets, solicitation of Bids for Accounting, Buildings and Grounds Maintenance, Pool Maintenance and Lifeguards, Snow Removal and all other functions necessary for the efficient operation of the Association.

These services will be billed by "Management" directly to the Association.

"Management" will provide all secretarial, bookkeeping and similar requirements as well as total insurance requirements.

In consideration of the above, the Association will pay to "Management the sum of THIRTY ONE THOUSAND FOUR HUNDRED SIXTY-FOUR AND 00/100 DOLLARS ($31,464.00) for 276 units; $2,736.00 for 24 units; $20,520.00 for 180 units and a proportionate amount for any other number of units. This Agreement is for a period of one year from the date upon which the Master Deed of **Society Hill at Morris II** is recorded and may be terminated by either party (A) without cause and without payment of a termination fee on ninety (90) days written notice and (B) for cause upon thirty (30) days written notice.

This Agreement constitutes the entire Agreement between the parties hereto.

Robert C. Krugh

EDWARD A ISRAELOW, ESQ.
BOARD OF TRUSTEES
SOCIETY HILL AT MORRIS II

ROBERT C. KRUGH
COMMUNITY MANAGEMENT COMPANY, INC.

(201) 747-7876
(201) 671-0660

Home Owners Warranty Corporation

Insurance/Warranty Documents

HOME OWNERS WARRANTY CORPORATION

Dear Home Owner:

You have bought a home built by a registered builder in the Home Owners Warranty (HOW) program. This unique ten-year protection plan is thoroughly explained in the attached booklet, and we hope that you will read it carefully.

Your Home Warranty describes the extent of the builder's obligation to you for the two years from the date stamped on the Declarations page which accompanies this booklet. HOW has provided for insurance to stand behind the builder during this period.

The Certificate of Insurance explains the insurance coverage which backs the builder's obligation to you under the home warranty and protects your home in the third through the tenth years against major structural defects.

The Approved Standards explain common problems and the steps needed to correct them.

The Declarations page of your warranty and certificate of insurance is the legal document giving HOW protection on your home. It also includes your policy number as well as your home address, sales price, and the HOW address for any service requests. This must be retained in a safe place with other important papers.

We hope that you will have many years of enjoyment in your HOW home.

2000 L Street, N.W.
Washington, D.C. 20036

Section I
Warranty

Limited Warranty

Identity of Warrantor. Your Builder is the Warrantor under this Warranty. Home Owners Warranty Corporation ("HOW") developed the Warranty Program under which this warranty has been issued and administers the Program on behalf of participating builders.

To Whom Given. This Warranty is extended to you as the purchaser of the home identified on the Declarations page and automatically to any subsequent owners.

Coverage During First Year. Your Builder warrants that, for one year beginning on the commencement date, the home will be free from defects due to noncompliance with the Approved Standards attached to this Warranty.

Coverage During Second Year. Your Builder warrants that during the second year after the commencement date:

(1) The home will be free from Major Structural Defects. A "Major Structural Defect" is actual physical damage to the following designated load-bearing portions of the home caused by failure of such load-bearing portions which affects their load-bearing functions to the extent that the home becomes unsafe, unsanitary or otherwise unlivable.

1. Foundation systems and footings;
2. Beams;
3. Girders;
4. Lintels;
5. Columns;
6. Walls and partitions;
7. Floor systems; and
8. Roof framing systems.

Repair of a Major Structural Defect is limited (1) to the repair of damage to the load-bearing elements of the home themselves which is necessary to restore their load-bearing ability; and (2) to the repair of those items in the home damaged by the Major Structural Defect which make the home unsafe, unsanitary or otherwise unlivable.

(2) The plumbing, electrical, heating, cooling and ventilating systems of the home, exclusive of fixtures, appliances or items of equipment, will be free from defects due to noncompliance with the Approved Standards. Defects in fixtures, appliances and items of equipment whether or not part of the plumbing, electrical, heating, cooling or ventilating systems are not covered. (See the Approved Standards for definition.)

Consequential Damages. Consequential damages are excluded.

Coverage for Common Elements in Condominiums. Common elements serving condominium units are also covered by this Warranty. "Common Elements" means any portion of a condominium structure (including, but not limited to, any passageways, rooms, or other spaces) which are provided for the common use of the residents of the structure. It also means part of a plumbing, electrical, heating, cooling or ventilating system serving two or more condominium units and outbuildings containing parts of such a system.

Common elements are covered for the same length of time as similar items which are part of an individual unit, but the commencement date of the Warranty period of common elements is determined by the common elements commencement date as stated on the Declarations page.

Remedy. If a defect occurs in an item which is covered by this Warranty, your Builder will repair, replace, or pay you the reasonable cost of repairing or replacing the defective item. Your Builder's total liability under this Warranty is limited to the purchase price of the home stated on the Declarations page. The choice among repair, replacement, or payment is your Builder's.

Your Builder and HOW have agreed that if he does not perform under this Warranty, HOW Insurance Company (HOWIC) will meet the Builder's warranty obligation, subject to the deductibles described in the Insurance Coverage provided with this Warranty.

Steps taken to correct defects shall not act to extend the time of this Warranty.

Other Insurance of Warranties. In the event your Builder or HOWIC repairs or replaces, or pays the cost of repairing or replacing, any defect covered by this Warranty for which you are covered by other insurance or warranties, you must, upon request by your Builder or HOWIC, assign the proceeds of such insurance or warranties to your Builder or HOWIC to the extent of the cost to your Builder or HOWIC of such repair, replacement or payment.

Other Rights. This Warranty gives you specific legal rights. You may also have other legal rights which vary from state to state. This Warranty does not affect any rights of you or your Builder under any other express or implied warranty.

Exclusions

The following are not covered by this Warranty:

a. Defects in outbuildings including detached garages and detached carports (except outbuildings which contain the plumbing, electrical, heating, cooling or ventilation systems serving the home); swimming pools and other recreational facilities; driveways; walkways; patios; boundary walls, retaining walls; bulkheads; fences; landscaping (including sodding, seeding, shrubs, trees, and plantings); off-site improvement, or any other improvements not a part of the home itself.

Form HOW 500 (B)
Rev. 2/82

b. After the first year, concrete floors of basements and concrete floors of attached garages that are built separate from foundation walls or other structural elements of the home.

c. Damage to real property which is not part of the home covered by this Warranty and which is not included in the purchase price stated on the Declarations page.

d. Any damage to the extent it is caused or made worse by:

— Negligence, improper maintenance or improper operation by anyone other than your Builder or its employees, agents, or subcontractors; or
— Failure by you or by anyone other than your Builder or its employees, agents or subcontractors to comply with the Warranty requirements of manufacturers of appliances, equipment or fixtures; or
— Failure by you, the purchaser, to give notice to your Builder or HOW of any defects within a reasonable time; or
— Changes of the grading of the ground by anyone other than your Builder, its employees, agents, or subcontractors; or
— Changes, alterations, or additions made to the home by anyone after your initial occupancy, except those performed by your Builder, or its employees, agents or subcontractors; or
— Dampness or condensation due to the failure of you, the purchaser, to maintain adequate ventilation.

e. Any loss or damage which you, the purchaser, have not taken timely action to minimize.

f. Any defect in, or caused by, materials or work (including, but not limited to, items shown on any "Addendum to the Application for HOW Protection") supplied by anyone other than your Builder, or its employees, agents, or subcontractors.

g. Normal wear and tear or normal deterioration.

h. Loss or damage, not otherwise excluded under this Warranty, which does not constitute a defect in the construction of the home by your Builder, its employees, agents or subcontractors.

i. Loss or damage resulting from accidents, riot and civil commotion, fire, explosion, smoke, water escape, falling objects, aircraft, vehicles, Acts of God, lightning, windstorm, hail, flood, mudslide, earthquake, volcanic eruption, wind driven water, and changes in the level of the underground water table which are not reasonably foreseeable.

j. Any damage caused by soil movement for which compensation is provided by legislation or which is covered by other insurance.

k. Insect damage.

l. Any loss or damage which arises while the home is being used primarily for nonresidential purposes.

m. Failure of your Builder to complete construction of the home.

n. Any condition which does not result in actual physical damage to the home.

o. Bodily injury or damage to personal property.

p. Consequential damages.

How to Make A Claim

Request for Warranty Service. If you have a complaint, first send a clear and specific written complaint to your Builder. Ordinarily, your Builder will supply the warranty service provided in this Warranty without the need for direct involvement by HOW.

Request for Warranty Performance. If you believe your Builder has not performed as provided in this Warranty, you may submit your Request directly to HOW. You should make any such request by mailing the attached "Request for Warranty Performance" form to HOW at the mailing address shown on the Declarations page, or by sending a letter specifically demanding such performance and identifying yourself, your Builder, the defect, and the remedy you seek.

Time of Notice of Claim. You must give written notice of a defect in any item under this Warranty to HOW no later than 30 days after the warranty coverage on that item expires. If such notice is not received by HOW by that deadline, any claims for the defect will be rejected.

Dispute Settlement. Upon receiving your "Request for Warranty Performance" HOW will notify your Builder and ask him to respond to your complaint. If your Builder disagrees with your complaint, HOW will arrange for informal dispute settlement between you and your Builder by a neutral third party. Your Builder will be bound by such third-party decision when accepted by you (see "Acceptance of Decision" below).

Under the Magnuson-Moss Warranty Act and under this Warranty, you may not file suit against your Builder until your claim has been submitted to informal dispute settlement and a decision has been reached or you have waited 40 days for a decision following your submission of a Request for Warranty performance, whichever comes first. State or federal laws may permit you to file suit without waiting, despite this paragraph.

Acceptance of Decision. If you accept the decision, you must sign and return to HOW at the mailing address shown on the Declarations page, within 45 days after the date of decision, an "Acceptance of Decision" form by which you agree to accept the decision in full satisfaction of your claim. Your Builder will then be bound to perform as required in the decision. Neither HOWIC nor your Builder is responsible for damage caused or made worse by your delay in accepting the decision.

The time allowed by the decision for performance by your Builder will be measured from the date it receives your "Acceptance of Decision" form and will be extended automatically if weather, strikes, or other matters not within its control interfere with the performance.

Rejection of Decision. After you receive the decision, you must decide whether or not to accept it. If you do not accept the decision with 45 days, your Builder is under no obligation to perform in accordance with the decision.

Release. When your Builder or HOWIC finishes repairing or replacing the defect or pays you the costs of doing so, you must sign and deliver to your Builder or HOWIC a full release of all legal obligations with respect to the defect.

Condominium Claims. If the Claim involves a common element in a condominium, it may be made only by an authorized representative of the condominium association.

Other Claimants. Any other person to whom this Warranty is extended shall submit and pursue, by the same procedures, any claims that he may have.

HOW Not a Warrantor or Insurer. HOW is not a warrantor or insurer. Only HOWIC is responsible for paying claims under insurance coverage.

Miscellaneous

Assignment of Manufacturer's Warranties. The Builder is required by contract with HOW to assign to you all manufacturer's warranties on items he has provided as part of the home.

Independence From Purchase Contract. This Warranty is independent of the contract between you and your Builder for the construction of the home and/or its sale to you. Contract disputes which are not warranty disputes are not eligible for informal dispute settlement under this Warranty. Nothing contained in that contract or any other contract between you and your Builder can restrict or override the provisions of this Warranty. You and your Builder may contract for additional standards or requirements, but any such agreement between you and your Builder will not be binding under this Warranty.

Notices. All notices to your Builder, to you, to HOW, or to HOWIC must be sent by mail, postage prepaid, to the recipient at the address shown on the Declarations page or to whatever other address the recipient may designate in writing.

General Provisions. Should any provision of this Warranty be deemed by a court of competent jurisdiction to be unenforceable, that determination will not affect the enforceability of the remaining provisions. This Warranty is to be binding upon your Builder, and the purchaser, their heirs, executors, administrators, successors and assigns. Use of one gender in the Warranty includes all other genders; and use of the plural includes the singular, all as may be appropriate. This Warranty is to be covered by and construed in accordance with the laws of the state in which the home is located.

Amendments. This Warranty cannot be changed or altered in any way.

Request for Warranty Performance

TO THE OWNER:

Before using this form, send a clear and specific written request for warranty work to your Builder. After you have contacted your Builder and he has not responded as provided in your Home Warranty, complete the following and mail to HOW along with a copy of your initial complaint to the Builder. If some of the requested information is unknown to you, please indicate. Written notice of a defect in any item under the Warranty must be received by HOW no later than 30 days after the warranty coverage of the item expires.

Name of Owner(s)

Street Address City, State Zip

Home Phone (Area Code & No.) Bus. Phone (Area Code and No.)

Home Warranty Agreement Number Date of Home Warranty Agreement

Name of Builder

Street Address City, State Zip

Phone (Area Code & No.)

Describe Defects:

Remedy Sought:

(Use additional sheets, if necessary)

We hereby notify HOW Corporation that we have requested our Builder to perform warranty work, but the Builder has not responded as provided in the Home Warranty.

Signature Date

tIA(c)/DB8

Section II
Certificate of Insurance

Certificate of Insurance

In consideration of the premium received and subject to the provisions in this Certificate or added by endorsement, HOW Insurance Company ("Insurer") does hereby certify that the home described on the Declarations page is insured against loss resulting from Builder Default and Major Structural Defects for the coverage terms stated on the Declarations page.

I. What is Covered

A. The Insurance Coverage covers Builder Default under the Home Warranty and Major Structural Defects in the Home which first occur after the expiration of the Home Warranty and before expiration of the coverage term. If the Home is a condominium unit, the Insurance Coverage also covers defects in common elements which first occur during the applicable coverage terms for common elements. The common elements are those in the building where the Home is located and which the Home shares in common with other units in the building.

B. "Builder Default" is a failure by the Builder to perform its obligations under the Home Warranty.

C. A "Major Structural Defect" is actual physical damage to the following load-bearing portions of the Home caused by failure of such load-bearing portions which affects their load-bearing function to the extent that the Home becomes unsafe, unsanitary or otherwise unlivable:

1. Foundation systems and footings;
2. Beams;
3. Girders;
4. Lintels;
5. Columns;
6. Walls and partitions;
7. Floor systems; and
8. Roof framing systems.

II. What the Insurer Will Do

A. If a Builder Default or a Major Structural Defect is covered by the Insurance Coverage, the Insurer will repair or replace that defect or will pay the Purchaser the reasonable actual cost of such repair or replacement. However, the Insurer's liability is limited to what is provided under the Policy Limits, subject to the Deductibles described in Article III and Article IX. The choice as to repair, replacement or payment shall be solely that of the Insurer.

B. The repair of a Major Structural Defect is limited (1) to the repair of damage to the load-bearing portions of the Home themselves which is necessary to restore their load-bearing ability; and (2) to the repair of those items of the Home damaged by the Major Structural Defect which makes the Home unsafe, unsanitary or otherwise unlivable.

III. Deductibles

The Insurance Coverage is subject to certain deductibles. Claims arising out of Builder Default under the Home Warranty are subject to a *one time* $250 deductible. Claims arising after expiration of the Home Warranty and resulting from a Major Structural Defect are subject to a deductible of $250 *per occurrence*. This means that on the first occurrence of a Builder Default covered by the Insurance Coverage, the Insurer will not be liable for the first $250 of the cost of repairing or replacing the covered defect. On each occurrence of a Major Structural Defect occurring after the Home Warranty has expired, the Insurer will not be liable for the first $250 of the cost of repairing or replacing the defect. This also means that if the Insurer chooses to pay the Purchaser instead of performing the repair or replacement work, the Insurer will pay the reasonable actual cost of repair or replacement, less $250. See Article IX for Deductibles relating to condominiums.

IV. Other Insurance

The Insurance Coverage provided under this certificate is excess insurance coverage. This means that if a loss occurs which is not otherwise expressly excluded under this certificate and the loss is attributable to a peril which is specifically covered by other insurance applicable to the Home or its construction, the Insurer shall not be liable for the loss except for that portion of the loss which is in excess of the amount due from such other insurance (whether collected or not) and the amount of such loss which is uncollectible from such other insurance because of the application of a deductible.

V. Policy Limits

The Insurer's total liability during the term of the Insurance Coverage is limited to the "Amount of Insurance" shown on the Declarations page less all amounts paid on behalf of the Builder under the Home Warranty which the Builder issued on the Home. Any payments made by the Insurer on account of defects in the common elements in a condominium structure shall be pro rated among the units within such structure and applied to reduce the amount of total Insurer Liability under the Insurance Coverage for each such unit.

VI. Exclusions

The Insurance Coverage provided by this certificate shall not extend to or include or be applicable to:

A. Defects in outbuildings including detached garages and detached carports (except outbuildings which contain the plumbing, electrical, heating, cooling or ventilation systems serving the home); swimming pools and other recreational facilities; driveways; walkways, patios; boundary walls, bulkheads, fences; landscaping (including sodding, seeding, shrubs, trees, and plantings); off-site improvement or any other improvements not a part of the Home itself.

B. After the first year, concrete floors of basements and concrete floors of attached garages that are built separate from foundation walls or other structural elements of the Home.

C. Damage to real property which is not part of the Home covered by the Home Warranty and which is not included in the purchase price of the Home

D. Any damage to the extent it is caused or made worse by:

1. Negligence, improper maintenance or improper operation by anyone other than the Builder or its employees, agents, or subcontractors; or
2. Failure by anyone other than the Builder or its employees, agents, or subcontractors to comply with the Warranty requirements of manufacturers of appliances, equipment or fixtures; or
3. Failure by the Purchaser to give notice to the Builder or HOW of any defects within a reasonable time; or
4. Changes of the grading of the ground by anyone other than the Builder, its employees, agents, or subcontractors; or
5. Changes, alterations, or additions made to the Home by anyone after initial occupancy, except those performed by the Builder, or its employees, agents or subcontractors; or
6. Damages or condensation due to the failure of the Purchaser to maintain adequate ventilation.

E. Any loss or damage which Purchaser, wherever feasible, has not taken timely action to minimize.

F. Any defect in, or caused by, materials or work (including, but not limited to) items shown on any "Addendum to the Application for HOW Protection") supplied by anyone other than the Builder, or its employees, agents, or subcontractors.

G. Normal wear and tear or normal deterioration.

H. Loss or damage not otherwise excluded under the Insurance Coverage, which does not constitute a defect in the construction of the Home by the Builders, or its employees, agents, or subcontractors.

I. Loss or damage resulting from accidents, riot and civil commotion, fire, explosion, smoke, water escape, falling objects, aircraft, vehicles, Acts of God, lightning, windstorm, hail, flood, mudslide, earthquake, volcanic eruption, wind driven water, and changes in the level of the underground water table which are not reasonably foreseeable.

J. Any damage caused by soil movement for which compensation is provided by legislation or which is covered by other insurance.

K. Insect damages.

L. Any loss or damage which arises while the Home is being used primarily for nonresidential purposes.

M. Failure of the Builder to complete construction of the Home.

N. Costs of shelter, transportation, food, moving, storage, or other incidental expenses related to relocation during repair.

O. Any condition which does not result in actual physical damage to the Home.

P. Bodily injury or damage to personal property.

Q. Consequential damages.

R. Any claim which has not been filed in the manner set forth in Article VIII of this certificate.

VII. Resale

Each successor in title to the Home, including any mortagagee in possession, is automatically entitled to the Insurance Coverage under this certificate for its unexpired term. There is no limit to the number of such successions during the term of the Insurance Coverage.

VIII. How To Make A Claim

A. All claims under this certificate must be pursued through the Insurer. Do not pursue such claims through the Builder.

B. Should a Builder Default or a Major Structural Defect occur during the applicable coverage term, the Purchaser must notify the Insurer. This notice must be in writing on forms provided by the Insurer or its authorized representative. The notice fully describing the defect must be given within a reasonable time after the defect arises, and in any event no later than 30 days after the expiration of the applicable coverage term. Claims reported after an unreasonable delay or more than 30 days after the expiration of the applicable coverage term are not covered.

C. The Insurer will not be obligated to pay a claim unless it receives a full and unconditional release from the Purchaser. This release must be of all rights and causes of action the Purchaser may have with respect to that claim.

IX. Special Provisions for Condominiums

A. Common Elements. If the Home is a condominium unit, common elements serving the condominum units are also also covered by the Insurance Coverage. "Common elements" mean any portion of a condominium structure (including, but not limited to, any passageways, rooms, or other spaces) which are provided for the common use of the residents of the structure. It also means part of a plumbing, electrical, heating, cooling or ventilating system serving two or more condominium units and outbuildings containing parts of such a system.

B. Inception and Termination of Insurance Relating to Common Elements.

1. Insurance Coverage for common elements applicable to Builder Default shall commence on the date of first occupancy of a Home in the condominium building or the Settlement Date for the first Purchaser, whichever first occurs. See the "Common Elements Commencement Date" on the Declarations page. This coverage shall terminate two (2) years from the common elements commencement date.
2. Insurance Coverage applicable to Major Structural Defects in common elements shall commence two (2) years from the common elements commencement date and shall terminate ten (10) years from the common elements commencement date.

C. Insurance Claims on Common Elements. Any portion of a claim involving common elements may only be made by a representative designated by the condominium association to file such claims.

D. Deductibles.

1. Claims involving common elements and arising from Builder Default or from a Major Structural Defect which first occurs after expiration of the Home Warranty shall be subject to a $2,500 deductible *per occurrence.*
2. Claims arising out of a Builder Default that do not involve common elements are subject to a one time $250 deductible as stated in Article III.
3. If the Insurer chooses to pay the Purchaser instead of performing the repair or replacement work, the Insurer will pay the reasonable cost of repair or replacement, less the applicable deductible.

E. Pro Rata Liability. In any claim involving common elements, the Insurer shall not be liable in excess of the Policy Limits applicable to the individual condominium units, as described in Article V, nor shall the Insurer be liable for a greater proportion of any such loss than the amount of interest in such common elements held by the individual condominium units covered by certificates of insurance at the time of the loss bears to the total interest in common elements of all condominium units, whether or not all condominium units are completed or sold at the time of the loss.

X. Rights of Mortgagees

The Insurer will, where practicable, make payment for any claim for $1,000 or more to the Purchaser and the Mortgagee as their respective interest may appear. The Mortgagee will be bound by the adjustment of any claim made with the Purchaser.

XI. General

A. If the Insurer's performance of any of its obligations is delayed by any event not resulting from the Insurer's own conduct, the Insurer will be excused from performing until the effects of that event are remedied. Examples of such events are Acts of God or the common enemy, war, riot, civil commotion, sovereign conduct, or acts of persons who are not parties to this certificate.

B. All notices required under this certificate must be sent with first class postage prepaid to the intended recipient's address shown on the Declarations page, or to whatever new address the intended recipient has designated by giving such notice.

C. No change in the Insurance Coverage will be valid unless in the form of an endorsement attached to this certificate and approved by an executive officer of the Insurer.

D. Use of one gender will include all other genders, and use of the singular will include the plural; all as may be appropriate.

XII. Definitions

For purposes of this certificate, the following terms have the meaning as defined in this Article.

A. "Builder"—The member of the Home Warranty Corporation and participant in the Home Owners Warranty Program who conveys title to the Home.

B. "Home"—Is the single-family dwelling unit on which this certificate is issued, except that: "Home" also includes:

1. A two-to-four plex structure which may only be conveyed as a single entity, and
2. The common elements which comprise the building in which the condominium unit is situated, and which it shares in common with other units in the building.

C. "Home Warranty"—The Limited Warranty document developed by HOW and provided by the Builder to the Purchaser of the Home.

D. "Insurance Coverage"—The benefits available to the Purchaser under the Risk Retention Insurance Policy subject to the provisions of the Home Warranty and this certificate.

E. "Purchaser"—Is the first person to whom the Home is sold by the Builder and his successor in title. Purchaser does not include the Builder or any firm under common control with the Builder.

Section III
Approved Standards

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Approved Standards

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I. Introduction

The Home Owners Warranty Corporation (HOW) and your registered HOW builder have provided your new home with a ten year protection plan; a plan, backed by the HOW Home Warranty and Insurance Documents, that is extended to you and to subsequent purchasers of your home during the period that the Home Warranty and Insurance are in force.

Please read this carefully. It is intended to acquaint you with the extent of coverage and the responsibilities HOW and your builder have assumed. Also note that coverage on certain items varies within the 10-year period and some items rely on proper maintenance by you, the Home Owner, to prevent damage and ensure proper functioning of your home and its various systems. The Information in Section VIII, the Quality Standards, provide the basis for determining the validity, under the HOW Program, of coverage of deficiencies or defects that may occur.

The HOW Approved Standards also require that homes be built in compliance with local building codes. In local areas where no building codes are used, or where the existing codes are found unacceptable, one of the following will apply:

(A) The Minimum Property Standards of the U.S. Department of Housing and Urban Development (HUD);
(B) HOW approved codes to cover building, mechanical, plumbing, and electrical (See Appendix A);
(C) The codes of a nearby HOW approved jurisdiction.

In each case, the HOW Corporation will approve the applicable code and inspection system, or establish an inspection system to monitor adherence to the acceptable codes.

Your Builder is also required to construct your home in compliance with any Special Standards that HOW develops for any region of the country.

The Quality Standards (Section VIII) list defects that may be found in new homes, and outline the extent of the Warrantor's responsibility for correcting each of the defects. These standards are intended to specify performance standards for home construction and to determine the validity of home owner complaints related to defective workmanship, materials, and systems during the initial warranty period.

When minimum performance standards or specific tolerances for construction items have not been given in these Quality Standards, builders shall construct homes in accordance with accepted industry practice for materials and workmanship. The validity of any home owner complaint for defects for which a standard has not been enumerated herein shall be determined on the basis of accepted industry practice and the settling of any dispute concerning such complaint shall be conducted accordingly.

II. Home Owner Responsibilities

Your new home requires an active maintenance effort on your part to reduce the likelihood of damage due to neglect, improper maintenance, or abnormal use. One of the more typical problems encountered by new home owners is water damage to exterior walls and basements. Damage of this sort may be caused by the location and type of home owner-installed trees and shrubbery, or failure of the home owner to maintain the proper drainage away from the home. It is your responsibility to maintain, in this instance, a proper grade around the home that will ensure the continued movement of surface water away from the home.

Excessive entrance of water around the foundation can cause soil movement and serious damage. Excessive water entrance and subsequent damages caused by the home owner changing the grade, not properly maintaining it, or cultivating and landscaping areas near the foundation will not be considered an eligible claim.

Various regional areas of the country have local maintenance problems. Home owners are encouraged to discuss specific maintenance responsibilities with their builders.

Additional home owner responsibilities are included herein under specific topics in Section VIII, Quality Standards.

NOTE: Damage caused or made worse by home owner negligence, improper maintenance and/or operation will not be covered.

III. Exclusions

Certain exclusions are listed in the Home Warranty and Insurance Documents which state that the following items are not covered:

a. Defects in outbuildings including detached garages and detached carports (except outbuildings which contain the plumbing, electrical, heating, cooling or ventilation systems serving the home); swimming pools and other recreational facilities; driveways; walkways; patios; boundary walls; retaining walls; bulkheads; fences; landscaping (including sodding, seeding, shrubs, trees, and plantings); off-site improvement or any other improvements not a part of the home itself.

b. After the first year, concrete floors of basements and concrete floors of attached garages that are built separate from foundation walls or other structural elements of the home.

c. Damage to real property which is not part of the home covered by the Home Warranty and which is not included in the purchase price of the home.

d. Any damage to the extent it is caused or made worse by:
- — Negligence, improper maintenance or improper operation by anyone other than the Builder or its employees, agents, or subcontractors; or
- — Failure by anyone other than the Builder or its employees, agents, or subcontractors to comply with the Warranty requirements of manufacturers or appliance, equipment or fixtures; or
- — Failure by the Purchaser to give notice to the Builder or HOW of any defects within a reasonable time; or
- — Changes of the grading of the ground by anyone other than the Builder, its employees, agents, or subcontractors; or
- — Changes, alterations, or additions made to the home by anyone after initial occupancy, except those performed by the Builder, or its employees, agents, or subcontractors; or
- — Damages or condensation due to the failure of the Purchaser to maintain adequate ventilation.

e. Any loss or damage which Purchaser, wherever feasible, has not taken timely action to minimize.

f. Any defect in, or caused by, materials or work (including, but not limited to) items shown on any "Addendum to the Application for HOW Protection") supplied by anyone other than the Builder, or its employees, agents, or subcontractors.

g. Normal wear and tear or normal deterioration.

h. Loss or damage not otherwise excluded under this Warranty, which does not constitute a defect in the construction of the home by the Builder, or its employees, agents or subcontractors.

i. Loss or damage resulting from accidents, riot and civil commotion, fire, explosion, smoke, water escape, falling objects, aircraft, vehicles, Acts of God, lightning, windstorm, hail, flood, mudslide, earthquake, volcanic eruption, wind driven water, and changes in the level of the underground water table which are not reasonably unforseeable.

j. Any damage caused by soil movement for which compensation is provided by legislation or which is covered by other insurance.

k. Insect damages.

l. Any loss or damage which arises while the home is being used primarily for non-residential purposes.

m. Failure of the Builder to complete construction of the home.

n. Costs of shelter, transportation, food, moving, storage, or other incidental expenses related to relocation during repair.

o. Any condition which does not result in actual physical damage to the home.

p. Bodily injury or damage to personal property.

q. Consequential damages.

Additionally, the HOW Warranty may have an Addendum to the Application for HOW Protection, attached to indicate all items supplied by others and therefore excluded from the HOW Warranty (See f. above). For example, work performed by the purchaser or persons other than the Builder on such items as interior or exterior painting, floor coverings, finishing of recreation rooms, grading and landscaping and other similar items are not covered by the HOW Warranty, and the Approved Standards are not applicable to those items.

IV. Definitions

1. **Appliances, Fixtures and Equipment:** The term, "Appliances, Fixtures and Equipment" (including their fittings, attachments, controls and appurtenances) shall include, but not be limited to:

Furnaces, boilers, oil tanks and fittings, humidifiers, air purifiers, air handling equipment, ventilating fans, air conditioning equipment, water heaters, pumps, stoves, refrigerators, garbage disposals, compactors, dishwashers, automatic door openers, washers and dryers, bathtubs, sinks, toilets, faucets and fittings, lighting fixtures, and circuit breakers. The initial HOW Warranty coverage period for appliances, fixtures and equipment (including their fittings, attachments, controls and appurtenances) is one year, regardless of manufacturers' warranties on specific items. The HOW Warranty and manufacturers' warranties, however, may be voided by the Owner's negligence or improper maintenance or service.

2. **Systems:** The term "systems" (exclusive of appliances, fixtures and equipment, as specified above) means the following:

(A) **Plumbing Systems**—gas supply lines and fittings, and water supply, waste and vent pipes and their fittings; septic tanks and their field drains; water, gas and sewer service piping, and their extensions to the tie-in of a public utility connection, or on-site well and sewage disposal system.

(B) **Electrical System**—all wiring, electrical boxes, switches, outlets and connections up to the public utility connection.

(C) **Heating, Ventilating, Cooling and Mechanical Systems**—all ductwork, steam, water, and refrigerant lines, registers, convectors, radiation elements and dampers.

The HOW Warranty period for systems (excluding appliances, fixtures, and equipment) is two years.

V. Coverage During the First Year

During the first year of HOW's Ten-Year Protection Plan, your home is warranted against the following:

- Faulty workmanship and materials;
- Defects in appliances, fixtures and equipment, (See definitions, Section IV.);
- Defects in wiring, piping and ductwork in the electrical, plumbing, heating, cooling, ventilating and mechanical systems; and,
- Major Structural Defects..

NOTE: New homes, no matter how carefully constructed, go through a period of normal settlement and shrinkage. During this period, hairline cracks, some wood shrinkage and warping and other minor matters may occur, much of which is unavoidable. Warrantor will assume no responsibility for these minor defects.

VI. Coverage During the Second Year

For the Second Year of the Protection Plan your home is warranted against the following:

- Defects in the electrical, plumbing, heating, cooling, ventilating and mechanical systems (See definitions, Section IV) exclusive of appliances, fixtures and equipment attached thereto; and,
- Major Structural Defects.

VII. Coverage During Years Three Through Ten

From the beginning of the third year until the end of the tenth year, your home is insured against Major Structural Defects only.

VIII. HOW Quality Standards — Topic Index

The Quality Standards list specific items (defects) within each separate area of coverage. The first section covers Workmanship and Materials; the second section covers Systems; and the third covers Major Structural Defects.

The Quality Standards are expressed in terms of performance standards. For easy comprehension, the format is designed as follows:

1. **Possible Deficiency**—a brief statement, in simple terms, of problems that may be encountered.
2. **Performance Standard**—a performance standard relating to a specific deficiency.
3. **Responsibility**—a statement of the corrective action required of the Warrantor to repair the deficiency; or a statement of Home Owners' maintenance responsibilities.

Workmanship and Materials, First Year Only	Page	Systems; First and Second Year	Page
Site Grading	23	Mechanical	30
Concrete	23	Electrical	31
Masonry	24		
Wood & Plastic	24	**Major Structural Defects**	31
Thermal and Moisture Protection	24		
Doors and Windows	25		
Finishes	26		
Specialties	28		
Equipment	28		
Mechanical	29		
Electrical	30		

Topic: Site Work	Coverage: 1st Year Only	Area: Workmanship and Materials
Site Grading		
Possible Deficiency	Settling of ground around foundation, utility trenches or other areas.	
Performance Standard	Settling of ground around foundation walls, utility trenches or other filled areas shall not interfere with water drainage away from the home.	
Responsibility	If the Builder has provided final grading: upon request by the Owner, Warrantor shall fill settled areas affecting proper drainage, one time only, during the first year Warranty period. Owner shall be responsible for removal and replacement of shrubs or other landscaping affected by placement of such fill.	
Site Drainage		
Possible Deficiency	Improper drainage of the site.	
Performance Standard	The necessary grades and swales shall have been established by the Builder to insure proper drainage away from the home. Standing or ponding water shall not remain for extended periods in the immediate area of the house after a rain (generally no more than 24 hours), except that in swales which drain other areas, or in areas where sump pumps discharge, a longer period can be anticipated (generally no more than 48 hours). The possibility of standing water after an unusually heavy rainfall should be anticipated by the Home Owner. No grading determination shall be made while there is frost or snow on the ground, or while the ground is saturated.	
Responsibility	The Builder is responsible only for initially establishing the proper grades and swales. Owner is responsible for maintaining such grades and swales once they have been properly established by the Builder.	

Topic: Concrete	Coverage: 1st Year Only	Area: Workmanship and Materials
Expansion and Contraction Joints		
Possible Deficiency	Separation or movement of concrete slabs within the structure at expansion and contraction joints.	
Performance Standard	Concrete slabs within the structure are designed to move at expansion and contraction joints.	
Responsibility	None.	
Cast-In-Place Concrete		
Possible Deficiency	Basement or foundation wall cracks.	
Performance Standard	Shrinkage cracks are not unusual in concrete foundation walls. Such cracks greater than 1/8 inch in width shall be repaired.	
Responsibility	Warrantor will repair cracks in excess of 1/8 inch width.	
Possible Deficiency	Cracking of basement floor.	
Performance Standard	Minor cracks in concrete basement floors are normal. Cracks exceeding 3/16 inch in width or 1/8 inch in vertical displacement shall be repaired.	
Responsibility	Warrantor will repair cracks exceeding maximum tolerances by surface patching or other methods as required.	
Possible Deficiency	Cracking of slab in attached garage.	
Performance Standard	Cracks in garage slabs in excess of 1/4 inch in width or 1/4 inch in vertical displacement shall be repaired.	
Responsiblity	Warrantor will repair cracks exceeding maximum tolerances by surface patching or other methods as required.	
Possible Deficiency	Uneven concrete floors/slabs.	
Performance Standard	Except for basement floors or where a floor or portion of floor has been designed for specific drainage purposes, concrete floors in rooms designed for habitability shall not have pits, depressions or areas of unevenness exceeding 1/4 inch in 32 inches.	
Responsibility	Warrantor will correct or repair to meet the Performance Standard.	
Possible Deficiency	Cracks in concrete slab-on-grade floors with finish flooring.	
Performance Standard	Cracks which rupture the finish flooring material shall be repaired.	
Responsibility	Warrantor will repair cracks, as necessary, so as not to be readily apparent when the finish flooring material is in place. (See also "Finishes.")	
Possible Deficiency	Pitting, scaling or spalling of concrete work covered by Warranty.	
Performance Standard	Concrete surfaces shall not disintegrate to the extent that the aggregate is exposed and loosened under normal conditions of weathering and use.	
Responsibility	Warrantor will take whatever corrective action necessary to repair or replace defective concrete surfaces. Warrantor is not responsible for deterioration caused by salt, chemicals, mechanical implements and other factors beyond its control.	
Possible Deficiency	Settling, heaving, or separating of stoops, steps, or garage floors.	
Performance Standard	Stoops, steps or garage floors shall not settle, heave, or separate in excess of 1 inch from the house structure.	
Responsibility	Warrantor will take whatever corrective action is required to meet the Performance Standard.	

Possible Deficiency	Standing water on stoops.
Performance Standard	Water should drain from outdoor stoops and steps. The possibility of minor water standing on stoops for a short period after rain can be anticipated.
Responsibility	Warrantor shall take corrective action to assure drainage of steps and stoops.
Topic: Masonry	**Coverage: 1st Year Only** **Area: Workmanship and Materials**
Unit Masonry	
Possible Deficiency	Basement or foundation wall cracks.
Performance Standard	Small cracks not affecting structural stability are not unusual in mortar joints of masonry foundation walls. Cracks greater than 1/8 inch in width shall be repaired.
Responsibility	Warrantor will repair cracks in excess of 1/8 inch by pointing or patching. These deficiencies shall be reported and repairs made during the first year Warranty period.
Possible Deficiency	Cracks in masonry walls or veneer.
Performance Standard	Small hairline cracks due to shrinkage are common in mortar joints in masonry construction. Cracks greater than 3/8 inch in width are considered excessive.
Responsibility	Warrantor will repair cracks in excess of Performance Standard by pointing or patching. These repairs shall be made during the first year Warranty period. Warrantor will not be responsible for color variation between old and new mortar.
Topic: Wood and Plastic	**Coverage: 1st Year Only** **Area: Workmanship and Materials**
Rough Carpentry	
Possible Deficiency	Floors squeak or subfloor appears loose.
Performance Standard	Floor squeaks and loose subfloor are often temporary conditions common to new home construction, and a squeak-proof floor cannot be guaranteed.
Responsibility	Warrantor will correct the problem only if caused by an underlying construction defect.
Possible Deficiency	Uneven wood floors.
Performance Standard	Floors shall not have more than 1/4 inch ridge or depression within any 32 inch measurement when measured parallel to the joists. Allowable floor and ceiling joist deflections are governed by the Approved building code.
Responsibility	Warrantor will correct or repair to meet Performance Standard.
Possible Deficiency	Bowed walls.
Performance Standard	All interior and exterior walls have slight variances on their finished surfaces. Bowing of walls should not detract from or blemish the wall's finished surface. Walls should not bow more than 1/4 inch out of line within any 32 inch horizontal or vertical measurement.
Responsibility	Warrantor will repair to meet Performance Standard.
Possible Deficiency	Out-of-plumb walls.
Performance Standard	Walls should not be more than 1/4 inch out of plumb for any 32 inch vertical measurement.
Responsibility	Warrantor will repair to meet the Performance Standard.
Finish Carpentry (Interior)	
Possible Deficiency	Poor quality of interior trim workmanship.
Performance Standard	Joints in moldings or joint between moldings and adjacent surface shall not result in open joints exceeding 1/8 inch in width.
Responsibility	Warrantor will repair defective joints, as defined. Caulking is acceptable.
Finish Carpentry (Exterior)	
Possible Deficiency	Poor quality of exterior trim workmanship.
Performance Standard	Joints between exterior trim elements, including siding and masonry, shall not result in open joints in excess of 3/8 inch. In all cases the exterior trim, masonry and siding shall be capable of performing its function to exclude the elements.
Responsibility	Warrantor will repair open joints, as defined. Caulking is acceptable.
Topic: Thermal and Moisture Protection	**Coverage: 1st Year Only** **Area: Workmanship and Material**
Waterproofing	
Possible Deficiency	Leaks in basement.
Performance Standard	Leaks resulting in actual trickling of water shall be repaired. Leaks caused by improper landscaping installed by Owner, or failure of Owner to maintain proper grades are not covered by the Warranty. Dampness of the walls or floors may occur in new construction and is not considered a deficiency.
Responsibility	Warrantor will take such action as necessary to correct basement leaks except where the cause is determined to result from Owner action or negligence.
Insulation	
Possible Deficiency	Insufficient insulation.
Performance Standard	Insulation shall be installed in accordance with applicable energy and building code requirements.
Responsibility	Warrantor will install insulation in sufficient amounts to meet Performance Standard.

Louvers and Vents

Possible Deficiency	Leaks due to snow or rain driven into the attic through louvers or vents.
Performance Standard	Attic vents and/or louvers must be provided in order to properly ventilate your house.
Responsibility	None.

Roofing and Siding

Possible Deficiency	Ice build-up on roof.
Performance Standard	During prolonged cold spells, ice build-up is likely to occur at the eaves of a roof. This condition occurs when snow and ice accumulate and gutters and downspouts freeze up.
Responsibility	Prevention of ice build-up on the roof is an Owner maintenance item.
Possible Deficiency	Roof or flashing leaks.
Performance Standard	Roofs or flashing shall not leak under normally anticipated conditions, except where cause is determined to result from ice build-up or Owner actions or negligence.
Responsibility	Warrantor will repair any verified roof or flashing leaks not caused by ice build-up or Owner actions or negligence.
Possible Deficiency	Standing water on flat roof.
Performance Standard	Water shall drain from flat roof except for minor ponding immediately following rainfall or when the roof is specifically designed for water retention.
Responsibility	Warrantor will take corrective action to assure proper drainage of roof.
Possible Deficiency	Delamination of veneer siding or joint separation.
Performance Standard	All siding shall be installed according to the manufacturer's and industry's accepted standards. Separations and delaminations shall be repaired or replaced.
Responsibility	Warrantor will repair or replace siding as needed unless caused by Owner's neglect to maintain siding properly. Repaired area may not match in color and/or texture. For surfaces requiring paint, Builder will paint only the new materials. The Owner can expect that the newly painted surface may not match original surface in color.

Sheet Metal

Possible Deficiency	Gutters and/or downspouts leak.
Performance Standard	Gutters and downspouts shall not leak but gutters may overflow during heavy rain.
Responsibility	Warrantor will repair leaks. It is the Home Owner's responsibility to keep gutters and downspouts free of leaves and debris which could cause overflow.
Possible Deficiency	Water standing in gutters.
Performance Standard	When gutter is unobstructed by debris, the water level shall not exceed 1 (one) inch in depth. Industry practice is to install gutters approximately level. Consequently, it is entirely possible that small amounts of water will stand in certain sections of gutter immediately after a rain.
Responsibility	Warrantor will correct to meet Performance Standard.

Sealants

Possible Deficiency	Leaks in exterior walls due to inadequate caulking.
Performance Standard	Joints and cracks in exterior wall surfaces and around openings shall be properly caulked to exclude the entry of water.
Responsibility	Warrantor will repair and/or caulk joints or cracks in exterior wall surfaces as required to correct deficiencies once, during the first year Warranty period. Even properly installed caulking will shrink and must be maintained by the Home Owner during the life of the home.

Topic: Doors and Windows **Coverage: 1st Year Only** **Area: Workmanship and Materials**

Wood and Plastic Doors

Possible Deficiency	Warpage of exterior doors.
Performance Standard	Exterior doors will warp to some degree due to temperature differential on inside and outside surfaces. However, they shall not warp to the extent that they become inoperable or cease to be weather resistant or exceed National Woodwork Manufacturers Association Standards (1/4 inch, measured diagonally from corner to corner.)
Responsibility	Warrantor will correct or replace and refinish defective doors, during the first year Warranty period.
Possible Deficiency	Warpage of interior passage and closet doors.
Performance Standard	Interior doors (full openings) shall not warp in excess of National Woodwork Manufacturers Association Standards (1/4 inch).
Responsibility	Warrantor will correct or replace and refinish defective doors to match existing doors as nearly as possible, during the first year Warranty period.
Possible Deficiency	Shrinkage of insert panels show raw wood edges.
Performance Standard	Panels will shrink and expand, and may expose unpainted surface.
Responsibility	None.

Possible Deficiency	Split in door panel.
Performance Standard	Split panels shall not allow light to be visible through the door.
Responsibility	Warrantor will, if light is visible, fill split and match paint or stain as closely as possible, one time in first year Warranty period.
Glass	
Possible Deficiency	Broken glass.
Performance Standard	None.
Responsibility	Broken glass not reported to the builder prior to closing is the Home Owner's responsibility.
Garage Doors on Attached Garage	
Possible Deficiency	Garage doors fail to operate properly, under normal use.
Performance Standard	Garage doors shall operate properly.
Responsibility	Warrantor will correct or adjust garage doors as required; except where the cause is determined to result from Owner actions or negligence.
Possible Deficiency	Garage doors allow entrance of snow or water.
Performance Standard	Garage doors shall be installed as recommended by the manufacturer. Some entrance of the elements can be expected under abnormal conditions.
Responsibility	Warrantor will adjust or correct garage doors to meet manufacturer's recommendations.
Wood, Plastic and Metal Windows	
Possible Deficiency	Malfunction of windows.
Performance Standard	Windows shall operate with reasonable ease, as designed.
Responsibility	Warrantor will correct or repair as required.
Possible Deficiency	Condensation and/or frost on windows.
Performance Standard	Windows will collect condensation on interior surfaces when extreme temperature difference and high humidity levels are present. Condensation is usually the result of climatic/humidity conditions, created by the Home Owner within the home.
Responsibility	Unless directly attributed to faulty installation, window condensation is a result of conditions beyond the Warrantor's control. No corrective action required.
Weatherstripping and Seals	
Possible Deficiency	Air infiltration around doors and windows.
Performance Standard	Some infiltration is normally noticeable around doors and windows, especially during high winds. Poorly fitted weatherstripping shall be adjusted or replaced. It may be necessary for the Owner to have storm doors and windows installed to provide satisfactory solutions in high wind areas.
Responsibility	Warrantor will adjust or correct poorly fitted doors, windows, or poorly fitted weatherstripping.
Topic: Finishes	**Coverage: 1st Year Only** **Area: Workmanship and Materials**
Lath and Plaster	
Possible Deficiency	Cracks in interior wall and ceiling surfaces.
Performance Standard	Hairline cracks are not unusual in interior wall and ceiling surfaces. Cracks greater than 1/8 inch in width shall be repaired.
Responsibility	Warrantor will repair cracks exceeding 1/8 inch in width as required; one time only, during the first year Warranty period. (See also "Painting.")
Gypsum Wallboard	
Possible Deficiency	Defects which appear during first year of Warranty such as nail pops, blisters in tape, or other blemishes.
Performance Standard	Slight "imperfections" such as nail pops, seam lines and cracks not exceeding 1/8 inch in width are common in gypsum wallboard installations and are considered acceptable.
Responsibility	Warrantor will repair only cracks exceeding 1/8 inch in width, one time only, during the first year Warranty period. (See also "Painting.")
Ceramic Tile	
Possible Deficiency	Ceramic tile cracks or becomes loose.
Performance Standard	Ceramic tile shall not crack or become loose.
Responsibility	Warrantor will replace cracked tiles and re-secure loose tiles unless the defects were caused by the Owner's action or negligence. Warrantor will not be responsible for discontinued patterns or color variations in ceramic tile.
Possible Deficiency	Cracks appear in grouting of ceramic tile joints or at junctions with other material such as a bathtub.
Performance Standard	Cracks in grouting of ceramic tile joints are commonly due to normal shrinkage conditions.
Responsibility	Warrantor will repair grouting if necessary; one time only, during the first year Warranty period. Warrantor will not be responsible for color variations or discontinued colored grout. Regrouting of these cracks is a maintenance responsibility of the Home Owner within the life of the home.

Finished Wood Flooring	
Possible Deficiency	Cracks developing between floor boards.
Performance Standard	Cracks in excess of 1/8 inch in width shall be corrected.
Responsibility	Warrantor will repair cracks in excess of 1/8 inch within the first year Warranty period, by filling or replacing, at Warrantor's option.
Resilient Flooring	
Possible Deficiency	Nail pops appear on the surface of resilient flooring.
Performance Standard	Readily apparent nail pops shall be repaired.
Responsibility	Warrantor will correct nail pops which have broken the surface. Warrantor will repair or replace, at Warrantor's option, resilient floor covering in the affected area with similar material. Warrantor will not be responsible for discontinued patterns or color variations in the floor covering.
Possible Deficiency	Depressions or ridges appear in the resilient flooring due to subfloor irregularities.
Performance Standard	Readily apparent depressions or ridges exceeding 1/8 inch shall be repaired. The ridge or depression measurement is taken as the gap created at one end of a six-inch straightedge placed over the depression or ridge with three inches of the straightedge on one side of the defect, held tightly to the floor.
Responsibility	Warrantor will take corrective action as necessary, to bring the defect within acceptable tolerance so that the affected area is not readily visible. Warrantor will not be responsible for discontinued patterns or color variations in floor covering.
Possible Deficiency	Resilient flooring loses adhesion.
Performance Standard	Resilient flooring shall not lift, bubble or become unglued.
Responsibility	Warrantor will repair or replace, at Warrantor's option, the affected resilient flooring as required. Warrantor will not be responsible for discontinued patterns of color variation of floor covering, or for problems caused by Owner neglect or abuse.
Possible Deficiency	Seams or shrinkage gaps show at resilient flooring joints.
Performance Standard	Gaps shall not exceed 1/16 inch in width in resilient floor covering joints. Where dissimilar materials abut, a gap not to exceed 1/8 inch is permissible.
Responsibility	Warrantor will repair or replace, at Warrantor's option, the affected resilient flooring as required. Warrantor will not be responsible for discontinued patterns or color variation of floor covering, or for problems caused by owner neglect or abuse.
Painting	
Possible Deficiency	Exterior paint or stain peels, deteriorates or fades.
Performance Standard	Exterior paints or stains should not fail during the first year Warranty period. However, fading is normal and the degree is dependent on climatic conditions.
Responsibility	If paint or stain is defective, Warrantor will properly prepare and refinish affected areas, matching color as close as possible. Where finish deterioration affects the majority of the wall area, the whole area will be refinished.
Possible Deficiency	Painting required as corollary repair because of other work.
Performance Standard	Repairs required under this Warranty shall be finished to match surrounding areas as closely as practicable.
Responsibility	Warrantor will finish repair areas as indicated.
Possible Deficiency	Deterioration of varnish or lacquer finishes.
Performance Standard	Natural finishes on interior woodwork shall not deteriorate during the first year of ownership. However, varnish type finishes used on the exterior will deteriorate rapidly and are not covered by the Warranty.
Responsibility	Warrantor will retouch affected areas of natural finish interior woodwork, matching the color as closely as possible.
Possible Deficiency	Mildew or fungus on painted surfaces.
Performance Standard	Mildew or fungus will form on a painted surface if the structure is subject to abnormal exposures (i.e., rainfall, ocean, lake, or river front).
Responsibility	Mildew or fungus formation is a condition Warrantor cannot control and is a Home Owner maintenance item, unless it is a result of non-compliance with other sections of the Quality Standards.
Wall Covering	
Possible Deficiency	Peeling of wall covering.
Performance Standard	Peeling of wall covering shall not occur.
Responsibility	Warrantor will repair or replace defective wall covering applications.
Possible Deficiency	Edge mis-matching in pattern of wall covering.
Performance Standard	None.
Responsibility	None.

Carpeting

Possible Deficiency	Open carpet seams.
Performance Standard	Carpet seams will show. However, no visible gap is acceptable.
Responsibility	Warrantor will correct.
Possible Deficiency	Carpeting becomes loose, seams separate or stretching occurs.
Performance Standard	Wall to wall carpeting, installed as the primary floor covering, when stretched and secured properly shall not come up, become loose, or separate from its point of attachment.
Responsibility	Warrantor will re-stretch or re-secure carpeting as needed, if original installation was performed by Builder.
Possible Deficiency	Spots on carpet, minor fading.
Performance Standard	Exposure to light may cause spots on carpet and/or minor fading.
Responsibility	None.

Special Coatings

Possible Deficiency	Cracks in exterior stucco wall surfaces.
Performance Standard	Cracks are not unusual in exterior stucco wall surfaces. Cracks greater than 1/8 inch in width shall be repaired.
Responsibility	Warrantor will repair cracks exceeding 1/8 inch in width, one time only, during the first year Warranty period.

Topic: Specialties **Coverage: 1st Year Only** **Area: Workmanship and Materials**

Louvers and Vents

Possible Deficiency	Inadequate ventilation of attics and crawl spaces.
Performance Standard	Attic and crawl spaces shall be ventilated as required by the approved building code.
Responsibility	The Builder shall provide for adequate ventilation. Warrantor will not be responsible for Home Owner alterations to the original system.

Fireplaces

Possible Deficiency	Fireplace or chimney does not draw properly.
Performance Standard	A properly designed and constructed fireplace and chimney shall function properly. It is normal to expect that high winds can cause temporary negative draft situations. Similar negative draft situations can also be caused by obstructions such as large branches of trees too close to the chimney. Some homes may need to have a window opened slightly to create an effective draft, if they have been insulated and weatherproofed to meet high energy conservation criteria.
Responsibility	Warrantor will determine the cause of malfunction and correct, if the problem is one of design or construction of the fireplace.
Possible Deficiency	Chimney separation from structure to which it is attached.
Performance Standard	Newly built fireplaces will often incur slight amounts of separation. Separation shall not exceed 1/2 inch from the main structure in any 10 foot vertical measurement.
Responsibility	Warrantor will determine the cause of separation and correct if standard is not met. Caulking is acceptable.
Possible Deficiency	Firebox paint changed by fire.
Performance Standard	None.
Responsibility	None. Heat from fires will alter finish.
Possible Deficiency	Cracked firebrick and mortar joints.
Performance Standard	None.
Responsibility	None. Heat and flames from "roaring" fires will cause cracking.

Topic: Equipment **Coverage 1st Year Only** **Area: Workmanship and Materials**

Residential Equipment

Possible Deficiency	Surface cracks, joint delaminations and chips in high pressure laminates on vanity and kitchen cabinet countertops.
Performance Standard	Countertops fabricated with high pressure laminate coverings shall not delaminate.
Responsibility	Warrantor will replace delaminated coverings to meet specified criteria. Warrantor will not be responsible for chips and cracks noted following first occupancy.
Possible Deficiency	Kitchen cabinet malfunctions.
Performance Standard	Warpage not to exceed 1/4 inch as measured from face frame to point of furthermost warpage with door or drawer front in closed position.
Responsibility	Warrantor will correct or replace doors or drawer fronts.
Possible Deficiency	Gaps between cabinets, ceiling or walls.
Performance Standard	Acceptable tolerance 1/4 inch in width.
Responsibility	Warrantor will correct to meet Performance Standard.

Topic: Mechanical	Coverage: 1st Year Only	Area: Workmanship and Materials

Water Supply System

Possible Deficiency	Plumbing pipes freeze and burst.
Performance Standard	Drain, waste and vent, and water pipes shall be adequately protected, as required by applicable code, during normally anticipated cold weather, and as defined in accordance with ASHRAE design temperatures, to prevent freezing.
Responsibility	Warrantor will correct situations not meeting the code. It is the Home Owner's responsibility to drain or otherwise protect lines and exterior faucets exposed to freezing temperatures.

Plumbing

Possible Deficiency	Faucet or valve leak.
Performance Standard	No valve or faucet shall leak due to defects in material or workmanship.
Responsibility	Warrantor will repair or replace the leaking faucet or valve.
Possible Deficiency	Defective plumbing fixtures, appliances or trim fittings.
Performance Standard	Fixtures, appliances or fittings shall comply with their manufacturer's standards.
Responsibility	Warrantor will replace any defective fixture or fitting which does not meet acceptable standards, as defined by the manufacturer.
Possible Deficiency	Noisy water pipes.
Performance Standard	There will be some noise emitting from the water pipe system, due to the flow of water. However, water hammer shall be eliminated.
Responsibility	Warrantor cannot remove all noises due to water flow and pipe expansion. Warrantor will correct to eliminate "water hammer."
Possible Deficiency	Cracking or chipping of porcelain or fiberglass surfaces.
Performance Standard	Chips and cracks on surfaces of bathtubs and kitchen sinks can occur when surface is hit with sharp or heavy objects.
Responsibility	Warrantor will not be responsible for repairs unless damage has been reported to Builder prior to first occupancy.

Heating

Possible Deficiency	Inadequate heating.
Performance Standard	Heating system shall be capable of producing an inside temperature of 70°F, as measured in the center of each room at a height of 5 feet above the floor, under local outdoor winter design conditions as specified in ASHRAE handbook. Federal, state or local energy codes shall supersede this standard where such codes have been locally adopted.
Responsibility	Warrantor will correct heating system to provide the required temperatures. However, Owner shall be responsible for balancing dampers, registers and other minor adjustments.

Refrigeration

Possible Deficiency	Inadequate cooling.
Performance Standard	Where air-conditioning is provided, the cooling system shall be capable of maintaining a temperature of 78°F, as measured in the center of each room at a height of 5 feet above the floor, under local outdoor summer design conditions as specified in ASHRAE handbook. In the case of outside temperatures exceeding 95°F, a differential of 15°F from the outside temperature will be maintained. Federal, state, or local energy codes shall supersede this standard where such codes have been locally adopted.
Responsibility	Warrantor will correct cooling system to meet temperature conditions, in accordance with specifications.

Condensation Lines

Possible Deficiency	Condensation lines clog up.
Performance Standard	None.
Responsibility	Condensation lines will clog eventually under normal use. This is a Home Owner maintenance item. Builder shall provide unobstructed condensation lines at time of first occupancy.

Evaporative Cooling

Possible Deficiency	Improper mechanical operation.
Performance Standard	Equipment shall function properly at temperature standard set.
Responsibility	Warrantor will correct and adjust so that blower and water system operate as designed.

Air Distribution

Possible Deficiency	Noisy ductwork.
Performance Standard	When metal is heated it expands and when cooled it contracts. The result is "ticking" or "crackling" which is generally to be expected.
Responsibility	None.
Possible Deficiency	Oilcanning.
Performance Standard	The stiffening of the ductwork and the gauge of the metal used shall be such that ducts do not "oilcan". The booming noise caused by "oilcanning" is not acceptable.
Responsibility	Warrantor will correct to eliminate this sound.

Topic: Electrical	Coverage: 1st Year Only	Area: Workmanship and Materials

Electrical Conductors, Fuses, and Circuit Breakers

Possible Deficiency	Fuses blow or circuit breakers (excluding ground fault interruptors) "kick out".
Performance Standard	Fuses and circuit breakers shall not activate under normal usage.
Responsibility	Warrantor will check wiring circuits for conformity with local, state, or approved national electrical code requirements. Warrantor will correct circuitry not conforming to code specifications.

Outlets, Switches and Fixtures

Possible Deficiency	Drafts from electrical outlets.
Performance Standard	Electrical junction boxes on exterior walls may produce air flow whereby the cold air can be drawn through the outlet into a room. The problem is normal in new home construction.
Responsibility	None.
Possible Deficiency	Malfunction of electrical outlets, switches or fixtures.
Performance Standard	All switches, fixtures and outlets shall operate as intended.
Responsibility	Warrantor will repair or replace defective switches, fixtures and outlets.

Service and Distribution

Possible Deficiency	Ground fault interruptor trips frequently.
Performance Standard	Ground fault interruptors are sensitive safety devices installed into the electrical system to provide protection against electrical shock. These sensitive devices can be tripped very easily.
Responsibility	Builder shall install ground fault interruptor in accordance with approved electrical code. Tripping is to be expected and is not covered, unless due to a construction defect.

Systems: First and Second Year

Topic: Mechanical	Coverage: 1st and 2nd Year	Area: Systems

Water Supply System

Possible Deficiency	Water supply system fails to deliver water.
Performance Standard	All on-site service connections to municipal water main and private water supply shall be the Builder's responsibility. Private systems shall be designed and installed in accordance with all approved building, plumbing and health codes.
Responsibility	Warrantor will repair if failure is the result of defective workmanship or materials. If conditions beyond Warrantor's control disrupt or eliminate the sources of the supply the Warrantor has no responsibility.

Septic Tank System

Possible Deficiency	Septic system fails to operate properly.
Performance Standard	Septic system shall be capable of properly handling normal flow of household effluent. Septic system shall be designed and installed to comply with state, county or local code regulations.
Responsibility	Warrantor will repair if failure is the result of defective workmanship or materials. Warrantor will not be responsible for malfunctions which occur through Owner negligence or abuse or from conditions that are beyond Warrator's control, such as freezing, soil saturation, increase in water table, excessive use, etc. Owner shall be responsible for septic system maintenance.

Plumbing

Possible Deficiency	Leakage from any piping.
Performance Standard	No leaks of any kind shall exist in any soil, waste, vent or water pipe. Condensation on piping does not constitute leakage, and is not covered.
Responsibility	Warrantor will make repairs to eliminate leakage.
Possible Deficiency	Stopped up sewers, fixtures and drains.
Performance Standard	Sewers, fixtures and drains shall operate properly.
Responsibility	Warrantor will not be responsible for sewers, fixtures and drains which are clogged through the Owner's negligence. If a problem occurs, the Owner should consult Warrantor for a proper course of action. Where defective construction is shown to be the cause, Warrantor will assume the cost of the repair; where Owner negligence is shown to be the cause, the Owner shall assume all repair costs.
Possible Deficiency	Refrigerant lines leak.
Performance Standard	Refrigerant lines shall not develop leaks during normal operation.
Responsibility	Warrantor will repair leaking refrigerant lines and re-charge unit, unless damage was caused by Owner.

Topic: Mechanical	Coverage: 1st and 2nd Year	Area: Systems

Air Distribution

Possible Deficiency	Ductwork separates or becomes unattached.
Performance Standard	Ductwork shall remain intact and securely fastened.
Responsibility	Warrantor will re-attach and re-secure all separated or unattached ductwork.

Topic: Electrical	Coverage: 1st and 2nd Year	Area: Systems
Possible Deficiency	Failure of wiring to carry its designed load.	
Performance Standard	Wiring should be capable of carrying the designed load for normal residential use.	
Responsibility	Warrantor will check wiring for conformity with local, state, or approved national electrical code requirements. Warrantor will repair wiring not conforming to code specifications.	

Major Structural Defects: 1st Year Through 10th Year

A "Major Structural Defect" is actual physical damage to the following designated load-bearing portions of the home caused by failure of such load-bearing portions which affects their load-bearing functions to the extent that the home becomes unsafe, unsanitary or otherwise unlivable:

1. Foundation systems and footings;
2. Beams;
3. Girders;
4. Lintels;
5. Columns;
6. Walls and partitions;
7. Floor systems; and
8. Roof framing systems.

Repair of a Major Structural Defect is limited (1) to the repair of damage to the load-bearing elements of the home themselves which is necessary to restore their load-bearing ability; and (2) to the repair of those items of the home damaged by the Major Structural Defect which make the home unsafe, unsanitary or otherwise unlivable.

Damage to the following non-load bearing elements do not constitute a major structural defect (See Note 1).

a. Roof shingles and sheathing;
b. Dry wall and plaster;
c. Exterior siding;
d. Brick, stone or stucco veneer;
e. Subfloor and flooring materials;
f. Wall tile or other wall coverings;
g. Non-load bearing partitions;
h. Concrete floors in attached garages and basements that are built separate from foundation walls or other structural elements of the home;
i. Electrical, heating, cooling, ventilation, mechanical, and plumbing systems; appliances, equipment, fixtures, paint, doors, windows, trim, cabinet, hardware and insulation.

NOTE 1: In the event of a Major Structural Defect occurring in the first year of coverage, repairs will also include correction of items necessary to bring the home into compliance with the Approved Standards.

The unsafe, unsanitary, or otherwise unlivable criteria, under Major Structural Defect is limited only to the repair of plumbing, waste, gas, oil and electric lines, ductwork, heating systems, and other items that affect the health or safety of the occupants of the home, which were damaged by the Major Structural Defect.

Appendix A — Model Codes

Building Codes

- BOCA Basic Building Code, Building Officials & Code Administrators International, Inc.
- National Building Code, American Insurance Association
- Standard Building Code, Southern Building Code Congress
- Uniform Building Code, International Conference of Building Officials
- One and Two Family Dwelling Code, Under the Nationally Recognized Model Codes

Mechanical Codes

- Uniform Building Code, Volume II, Mechanical, International Conference of Building Officials
- BOCA Basic Mechanical Code Building Officials & Code Administrators International, Inc.
- Standard Mechanical Code, Southern Building Code Congress

Plumbing Codes

- Standard Plumbing Code, Southern Building Code Congress
- Uniform Plumbing Code, International Association of Plumbing & Mechanical Officials
- BOCA Basic Plumbing Code, Building Officials & Code Administrators International, Inc.

Electrical Codes

- Electrical Code for One and Two Family Dwelling, National Fire Protection Association
- National Electrical Code, National Fire Protection Association

Home Owners Warranty Corporation
2000 L Street, N.W.
Washington, D.C. 20036

SCHEDULE A

Policy Amount: $ 100,000.00

Policy No. MORRIS II - SAMPLE

Policy Date: May 2, 1985

This Policy Amount will automatically increase by 10% of the amount shown above on each of the first five anniversaries of the Policy Date.

1. Name of Insured: John Doe and Susan Doe, h/w

2. Your interest in the land covered by this Policy is:

Fee Simple

3. The land referred to in this Policy is described as follows:

As set forth in a deed from K. Hovnanian at Morris II, to the insured above, dated ______ and recorded ______ in Deed Book ____ page ___ in the Morris County Clerk's Office.

SCHEDULE B - EXCEPTIONS

Policy No. MORRIS II - SAMPLE (ICS 00003)

In addition to the Exclusions, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Any facts about the land which a correct survey would disclose and which are not shown by the public records. Omit. See Survey Endorsement.
2. Lien of unpaid taxes for year 1985 have been paid through the first quarter of said year. Liability for additional assessments for new construction, pursuant to R.S. 54:4-63.1 et seq.
3. Utility grants as set forth in Deed Book 2110 page 619 and Deed Book 2110 page 616.
4. Additional utility grants, easements and agreements to be granted by the developer.
5. Terms, conditions and restrictions as set forth in Master Deed and Declaration of Restrictive and Protective Covenants for Society Hill at Morris II, a condominium, in Deed Book ____ page ____ and any amendments thereto.
6. Survey as shown in Master Deed above stated and/or certification.
7. Terms of the New Jersey Condominium Act N.J.S.A. 46:8B-1 et seq.
8. Rights of owners in party walls.
9. Mortgage in the amount of $58,000.00 made by John Doe and Susan Doe, h/w, to First Bank of America and/or its assigns, dated ______ and recorded ______ in Mortgage Book ____ page ____ in the Morris County Clerk's Office.
10. Easements as set forth in Deed Book 2697 page 270 and Deed Book 2697 page 275.

THIS POLICY DOES INSURE:

a) That the restrictions as contained in the Master Deed have not been violated and that any future violation will not work a reversion or forfeiture of title.