

ENDORSEMENT

Dated: May 2, 1985

Attached to Policy No. MORRIS II - SAMPLE (ICS 00003)

Exception number 1 in Schedule B of this policy is hereby deleted and the following is substituted therefor:
certification

1. Based upon a survey/made by Joe Smith, P.E. & L.S.

dated February 1, 1999

the insured shall sustain by reason of any encroachments, overlaps, boundary line disputes or easements, except as follows:

- a) That the unit in question is located substantially in accordance with the depiction of said unit as set forth in the Master Deed.

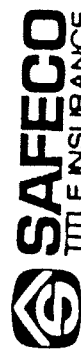
This endorsement is made a part of said policy or commitment and is subject to all of the terms and provisions thereof and of any prior endorsements thereto. Except to the extent expressly stated, it neither modifies any of the terms and provisions of the policy or commitment and prior endorsements,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



SAFECO TITLE INSURANCE COMPANY

By
Authorized Signature

SURVEY ENDORSEMENT
SAFECO Stock No. NJP-0339 (Rev. 6-84)



ENDORSEMENT

Dated as of the date of the policy to which this endorsement is attached

Attached to Policy No. MORRIS II- SAMPLE (ICS 00003)

The Company hereby insures against loss or damage by reason of:

1. The failure of the unit identified in Schedule A and its common elements to be part of a condominium within the meaning of the condominium statutes of the jurisdiction in which the unit and its common elements are located.
2. The failure of the documents required by said condominium statutes to comply with the requirements of said statutes to the extent that such failure affects the title to the unit and its common elements.
3. Present violations of any restrictive covenants which restrict the use of the unit and its common elements and which are contained in the condominium documents. Said restrictive covenants do not contain any provisions which will cause a forfeiture or reversion of title.
4. The priority of any lien for charges and assessments provided for in the condominium statutes and condominium documents over the lien of any insured mortgage identified in Schedule A.
5. The failure of the unit and its common elements to be entitled by law to be assessed for real property taxes as a separate parcel.
6. Any obligation to remove any improvements which exist at date of policy because of any present encroachments or because of any future unintentional encroachment of the common elements upon any unit or of any unit upon the common elements or another unit.
7. The failure of title by reason of a right of first refusal to purchase the unit and its common elements which was exercised or could have been exercised at date of policy.

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



SAFECO TITLE INSURANCE COMPANY

By Authorized Signature

CONDOMINIUM ENDORSEMENT
ALTA Endorsement Form 4 (9-78)
SAFECO Stock No. GSP-330 (Rev. 8-82)



SCHEDULE A

MORRIS II - SAMPLE -(Mortgage Policy)

Agents File No. ICS 00003

Amount of Insurance: \$ 58,000.00 Date of Policy: May 2, 1985

1. Name of Insured: First Bank of America and/or its assigns

2. The estate or interest in the land described in this Schedule and which is encumbered by the insured mortgage is:
Fee Simple

3. The estate or interest referred to herein is at Date of Policy vested in:

John Doe and Susan Doe, h/w

4. The mortgage, herein referred to as the insured mortgage, and the assignments thereof, if any, are described as follows:

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.

5. The land referred to in this policy is described as follows:

As set forth in Schedule A, Item 4 herein.

SCHEDULE B - PART I

Policy No. MORRIS II- SAMPLE (ICS 00003)

This policy does not insure against loss or damage by reason of the following exceptions:

1. Encroachments, overlaps, boundary line disputes, and any other matters which would be disclosed by an accurate survey and inspection of the premises. Omit. See Survey Endorsement.
2. Lien of unpaid taxes for the 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. Easements as set forth in Deed Book 2697 page 270 and Deed Book 2697 page 275.

THIS POLICY DOES INSURE:

- a) That the above mentioned mortgage is a first lien, subject only to the conditions shown herein.
- b) 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.
- c) That the premises herein do not encroach on premises and that said easements do not interfere with the use and occupancy of premises for residential purposes.

SCHEDULE B - PART II

Policy No. MORRIS II- SAMPLE (ICS 00003)

In addition to the matters set forth in Part I of this Schedule, the title to the estate or interest in the land described or referred to in Schedule A is subject to the following matters, if any be shown, but the Company insures that such matters are subordinate to the lien or charge of the insured mortgage upon said estate or interest:

NONE

SCHEDULE B - PART II
ALTA Loan Policy-1970
GSP-204B-2 (Rev. 5-79)



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1. Based upon a survey/made by Joe Smith, P.E. & L.S.

dated February 1, 1999, the Company hereby insures against loss or damage which the insured shall sustain by reason of any encroachments, overlaps, boundary line disputes or easements, except as follows:

- a) That the unit in question is located substantially in accordance with the depiction of said unit as set forth in the Master Deed.

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



SAFECO TITLE INSURANCE COMPANY

By Authorized Signature

SURVEY ENDORSEMENT
SAFECO Stock No. NJP-0339 (Rev. 6-84)



ENDORSEMENT

Dated as of the date of the policy to which this endorsement is attached

Attached to Policy No. MORRIS II- SAMPLE (ICS 00003)

The Company hereby insures against loss or damage by reason of:

1. The failure of the unit identified in Schedule A and its common elements to be part of a condominium within the meaning of the condominium statutes of the jurisdiction in which the unit and its common elements are located.
2. The failure of the documents required by said condominium statutes to comply with the requirements of said statutes to the extent that such failure affects the title to the unit and its common elements.
3. Present violations of any restrictive covenants which restrict the use of the unit and its common elements and which are contained in the condominium documents. Said restrictive covenants do not contain any provisions which will cause a forfeiture or reversion of title.
4. The priority of any lien for charges and assessments provided for in the condominium statutes and condominium documents over the lien of any insured mortgage identified in Schedule A.
5. The failure of the unit and its common elements to be entitled by law to be assessed for real property taxes as a separate parcel.
6. Any obligation to remove any improvements which exist at date of policy because of any present encroachments or because of any future unintentional encroachment of the common elements upon any unit or of any unit upon the common elements or another unit.
7. The failure of title by reason of a right of first refusal to purchase the unit and its common elements which was exercised or could have been exercised at date of policy.

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SAFECO TITLE INSURANCE COMPANY

By Authorized Signature

CONDOMINIUM ENDORSEMENT
ALTA Endorsement Form 4 (9-78)
SAFECO Stock No. GSP-330 (Rev. 8-82)



MASTER DEED AND DECLARATION OF
RESTRICTIVE AND PROTECTIVE COVENANTS
OF SOCIETY HILL AT MORRIS II CONDOMINIUM

This Deed, made this _____ day of _____, 1986 by K. Hovnanian at Morris II, Inc. a corporation of the State of New Jersey, with its principal office at 10 Highway 35, in the Township of Middletown, County of Monmouth, and State of New Jersey, hereinafter referred to as "Sponsor".

Whereas, Sponsor is the owner of the fee simple title to those lands and premises described in Exhibit "A" and Exhibit "B" attached hereto and made a part hereof; and

Whereas, it is the present intention of the Sponsor to construct, in stages, a condominium consisting ultimately of 276 units by October 1, 1986 pursuant to the provisions of the New Jersey Condominium Act, N.J.S.A. 46:8B-1 et seq. (The Condominium Act) under the name of Society Hill at Morris II Condominium and,

Whereas, the Sponsor at this time intends to establish the condominium initially as a twenty-four (24) unit condominium reserving the right, but not the duty, to add additional sections, buildings, and units to the condominium and to those ends to cause this Master Deed to be executed and recorded, together with all necessary exhibits thereto.

THEREFORE, WITNESSETH:

1.00 Establishment of Condominium. Sponsor, does hereby make, declare and publish its intention and desire to submit, and does hereby submit, the lands and premises owned by it in the Borough of Lincoln Park, County of Morris and State of New Jersey, being more particularly described, on Exhibit "C" and Exhibit "D" as "Phase I, Society Hill at Morris II" to the form of ownership known and designated as condominium as provided by and in accordance with the New Jersey Condominium Act (N.J.S.A. 46:8B-1 et. seq.) for the specific purpose of creating and establishing Society Hill at Morris II Condominium (the "Condominium") and for the further purpose of defining the plan of unit ownership and imposing thereon certain restrictive and protective covenants for the benefit of said Condominium, subject to Sponsor's rights to amend as set forth in paragraph 11.

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

2.01 "Articles of Incorporation" shall mean the Articles of Incorporation of the Association together with all future amendments or supplements thereto.

2.02 "Association" shall mean the Condominium Association, a New Jersey non-profit corporation, formed to administer, manage and operate the common affairs of the Unit Owners of the Condominium and to maintain, repair and replace the Common Elements of the Condominium as provided in this Master Deed and the By Laws.

2.03 "Board" shall mean the Board of Trustees of the Association and any reference herein or in the Articles of Incorporation, Bylaws or Rules and Regulations to any power, duty, right of approval or any other right of the Association shall be deemed to refer to the Board and not the Membership of the Association, unless the context expressly indicates to the contrary.

2.04 "Building" shall mean each of the enclosed structures containing Units.

2.05 "Bylaws" shall mean the Bylaws of the Association a copy of which document is attached hereto and made a part hereof as Exhibit "F", together with all future amendments or supplements thereto.

Prepared by: _____

Edward A. Israelow
Attorney at Law of the State of New Jersey

2.06 "Common Elements" shall include both General Common Elements and Limited Common Elements, and shall have the same meaning as "Common Elements" under N.J.S.A. 46:8B-3(d), except as same may be modified by the provisions of Paragraph 5.05 hereof, or the specific definitions set forth herein.

2.07 "Common Expenses" sometimes referred to herein as "Common Charges" shall, subject to the provisions of Paragraph 5 hereof and the specific definitions set forth herein, mean all those expenses anticipated by N.J.S.A. 46:8B-3(e), in addition to all expenses incurred by the Association, or its respective directors, officers, agents or employees, in the lawful performance of their respective duties or powers.

2.08 "Condominium" shall mean (i) all the lands and premises described in Exhibit "C" and "D"; (ii) all improvements now or hereinafter constructed in, upon, over or through such lands and premises, whether or not shown on any Exhibit hereto; and (iii) all rights, roads, waters, privileges and appurtenances thereto belonging or appertaining; and (iv) the entire entity created by the execution and recording of this Master Deed; and (v) any and all lands, premises, roads, interests, improvements, privileges which shall be added to the condominium from or on the premises described in Exhibit "A" and "B".

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

2.10 "General Common Elements" shall mean those Common Elements shown which are for the use or benefit of all of the Unit Owners, as more specifically described in Paragraph 3.02 of this Master Deed.

2.11 "Mortgagee" shall mean any bank, mortgage banker, trust company, insurance company, savings and loan association, governmental agency, or other financial institution or pension fund, which is the record owner of a first mortgage loan which encumbers any Unit.

2.12 "Lease" shall mean any agreement for the leasing or rental of any Unit of the Condominium, including any sublease.

2.13 "Limited Common Elements" shall have the same meaning as "Limited Common Elements" under N.J.S.A. 46:8B-3(k), except as same may be modified by the provisions of Paragraph 5 hereof or by the specific definitions set forth herein.

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

2.15 "Permitted First Mortgage" shall mean and refer to any first mortgage lien encumbering a Unit which is held by a bank, mortgage banker, trust company, insurance company, savings and loan association, pension fund, governmental agency, or other financial institution, or which is a purchase money mortgage held by the Sponsor or by the Seller of a Unit.

2.16 "Property" shall mean the Complex, the land and premises described in Exhibit "C" and "D" and all improvements now or hereafter constructed in, upon, over or through such land and premises and all land or premises described in Exhibit "A" and "B" which may be added to the condominium and property by duly recorded amendments of this Master Deed.

2.17 "Rules and Regulations" shall mean the Rules and Regulations of the Association, together with all future amendments or supplements thereto. The Association shall not be required to record any amendments or supplements of the Rules and Regulations.

2.18 "Sponsor" shall mean and refer to K. Hovnanian at Morris II, Inc., a New Jersey corporation, its successors and assigns, (excluding other Unit Owners). Sponsor shall also mean and include the term "developer".

2.19 "Unit" shall mean a part of the Condominium designated and intended for independent ownership and use, all as more specifically

described in Paragraph 3 hereof and as shown on Exhibits "D" and "E" and on the floor plans Exhibits "G1" through "G3", respectively attached hereto and made a part hereof. The term shall not be deemed to include any part of the General Common Elements or Limited Common Elements situated within or appurtenant to a Unit.

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

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

3.00 General Description of Condominium. The Sponsor has under construction on the parcel of land and premises described aforesaid, a project known and designated as the Society Hill at Morris II Condominium according to the survey of the premises described and the plans attached hereto as Exhibits "D" and "G" respectively. The said plans contain the dimensions of the several units at floor level, the elevation of all floors and ceilings from United States Coast and Geodetic Survey datum, and the location and dimensions of the perimeter walls of each unit with reference to established geographical points. The said project consists of multifamily dwelling buildings which will be substantially in accord with the floor plans attached as Exhibit "G", that such construction may be progressive and that those buildings which are not completed at the time of the recording of this instrument, shall be deemed in all respects, when completed to be subject to the provisions of this instrument.

The Sponsor, in order to implement the condominium plan of ownership for the above described property, improvements and prospective improvements, covenants and agrees that it hereby subdivides the above described realty and all of the improvements erected and to be erected thereon into the following fee simple estates:

3.01 Description of Units. 1. Twenty-four (24) separate parcels of real property, being the dwelling units, hereinafter more particularly described and as shown on Exhibits "D" and "G". Exhibit "G" describes the room layouts of the several units at floor level.

Each of the said dwelling units consists of (a) the volumes or cubicles of space enclosed by the unfinished inner surfaces of perimeter and interior walls, ceilings and floors therein, including vents, doors, windows and other structural elements that ordinarily are regarded as enclosures of space, and (b) all interior dividing walls and partitions (including the space occupied by such walls or partitions) except load bearing interior walls and partitions and (c) all windows and doors, including the glass contained therein, and (d) the decorated inner surfaces of said perimeter and interior walls (including decorated inner surfaces of all interior load bearing walls), floors and ceilings, consisting of wallpaper, paint, carpeting, tiles and all other finishing materials affixed or installed as a part of the physical structure of the unit and all immediately visible fixtures, mechanical systems, and equipment installed, and for the sole and exclusive use of the unit, commencing at the point of disconnection from the structural body of the dwelling building and from the utility lines, pipes and systems serving the dwelling unit. No pipes, wires, conduits or other public utility lines or installations constituting a part of the overall systems designed for the service of any particular unit or multi-unit, which are not removable without jeopardizing the soundness, safety or usefulness of the remainder of the buildings, shall be deemed to be a part of any dwelling unit. The words "dwelling unit," when used throughout this instrument, shall be deemed to refer to each of the aforesaid dwelling units as herein described.

3.02 General Common Elements. A separate fee simple estate in the remaining portion of the lands and premises hereinabove described with all

improvements constructed and to be constructed thereon, including all appurtenances thereto, which said remaining portions shall be hereinafter known and referred to as "common elements." More specifically, "general" common elements shall include, but not be limited to, the following:

(a) The parcel of land described in Exhibits "C" and "D", including the space actually occupied by the above.

(b) The multi-unit dwelling buildings described above including the space within each of said buildings not otherwise herein defined as being embraced within the dwelling units, and including the foundations, roofs, floors, ceilings, perimeter walls, load bearing interior walls and partitions, slabs, stairways, entrance and existing communication ways, pipes, wires, conduits, air ducts and public utility lines, including the space actually occupied by the above.

(c) All of the roads, walkways, paths, trees, shrubs, yards, gardens, etc., located or to be located on the aforesaid parcel of land.

(d) All other elements of the buildings constructed or to be constructed on the aforesaid parcel of land, rationally of common use or necessary to their existence, upkeep and safety and, in general, all other devices or installations existing for common use.

(e) The general common elements shall not include any of the dwelling units as hereinabove described and as shown on the attached Exhibits "D" and "G", notwithstanding that the multi-unit dwelling buildings in which said dwelling units shall be located may not have been constructed at the time of the recording of this instrument, it being the intention of the Sponsor that the interest in the general common elements appurtenant to each unit, as said interest shall be hereinafter defined, shall not include any interest whatsoever in any of the other units and the space within them, whether or not the buildings within which said units are or shall be located, are constructed or yet to be constructed at the time of the recording of this instrument.

(f) That portion of land contained within the lands described in Exhibit "H" attached hereto, is hereinafter referred to as the "Deed Restricted Common Open Space." The Deed Restricted Common Open Space shall be maintained in its natural state, be maintained in said condition for the enjoyment and benefit of, and at the expense of the Society Hill at Morris II Condominium Association, subject to all provisions of the within Master Deed and Declaration of Restrictive and Protective Covenants. The Deed Restricted Common Open Space shall be maintained in its natural or present state and retained as such as a sanctuary for the maintenance of natural flora and fauna undisturbed by hunting, shooting, trapping, fishing or other activity that might adversely effect the natural flora and fauna and other aspects of the natural environment, including, but not limited to, the operation of vehicles, other than for necessary maintenance, and for work related to any easements and agreements of record. The Condominium Association agrees to be bound by the aforesaid conditions and limitations and this shall be a covenant running with the land. Wildlife Preserves, Inc. shall have the right to enforce the restrictions contained in this paragraph.

3.03 Undivided Interest. For the purposes of this instrument, the ownership of each dwelling unit shall conclusively be deemed to include the respective undivided interest as specified and established hereinafter, in the common elements and each unit together with its appurtenant undivided interest in the common elements as defined and hereinafter referred to as "unit" or "dwelling unit." It is the intention of the Sponsor hereby to provide that the general common elements in the Condominium shall be owned by the owner or owners of each dwelling unit under the condominium form of ownership, the undivided interest of each unit therein being as set forth hereinafter. For the purpose of further clarifying the stated intent and purpose of the Sponsor, the aforesaid property will be owned under the condominium concept when the title to the aforesaid lands and all of the improvements constructed and to be constructed thereon are held or acquired by two (2) or more persons in any manner whereby each person is vested of (1) the fee simple ownership of one or more of the dwelling units, and (2) an undivided interest in the correlative general common elements, all

pursuant to the provisions of this Master Deed, the Condominium Act and the restrictions, covenants, limitations and conditions herein set forth.

3.04 Limited Common Elements. Portions of the common elements are hereby set aside and reserved for the restricted use of the respective dwelling units to the exclusion of the other units and such portions shall be known and referred to herein as "limited common elements." The limited common elements restricted to the use of the respective units are shown graphically in Exhibit "G". Each unit owner shall be responsible for maintaining, at their individual cost and expense, all areas designated as limited common elements other than any assigned parking space. However, structural modification and maintenance of the structural components of all limited common elements shall be the responsibility of the Association. In particular, each unit owner shall be responsible for any improvements or maintenance in and to patios, porches or balconies including any glass, glass doors, screens or screen doors, none of which shall be the responsibility for maintenance by the Association. All limited common elements, however, shall comply with all governmental rules and regulations, as well as all rules and regulations of the Association as provided herein or as provided in the Bylaws of the Association.

3.05 Percentage of Interest. The individual dwelling units hereby established and which shall be individually conveyed, the building number and type, the limited common elements restricted to the use of one or more individual units and the percentage of interest of each unit in the general and limited common elements are attached hereto as Exhibit "F".

3.06 No Conveyance of Undivided Interest. The above respective undivided interest in the common elements hereby established and to be conveyed with the respective units may be amended by the Sponsor as is set forth in paragraph 11. The Sponsor, its successors and assigns and Grantees, covenant and agree that the undivided interest in the common elements and the fee simple title to the respective units conveyed therewith shall not be separately conveyed, transferred, alienated or encumbered, and each of the said undivided interest shall be deemed to be conveyed, transferred, alienated or encumbered with its respective unit notwithstanding the description in the instrument of conveyance, transfer, alienation or encumbrances may refer only to the fee simple title to the dwelling unit. The Sponsor, its successors and assigns, and the Grantees, further covenant and agree that any conveyance, transfer or alienation of any unit shall conclusively be deemed to include all of the interest of the owner or owners in the Condominium and any encumbrance upon any unit also shall be conclusively deemed to attach to all of the interest of the owner or owners of said dwelling in the Condominium.

4.00 The Administering Association. The Condominium shall be administered, supervised and managed by Society Hill at Morris II Condominium Association, Inc. hereinafter called the "Association", a non-profit corporation of the State of New Jersey, presently having its principal office at 10 Highway 35, Red Bank, New Jersey, which shall act by and on behalf of the owners of the units in the Condominium, in accordance with this instrument, the Bylaws of the Association annexed hereto as Exhibit "F" and in accordance with the Condominium Act, its supplements and amendments. The aforesaid Bylaws form an integral part of the plan of ownership herein described and this instrument shall be construed in conjunction with the provisions of said Bylaws. Pursuant to the requirements of the Condominium Act, the aforesaid Association is hereby designated as the form of administration of the Condominium and the said Association is hereby vested with the rights, powers, privileges and duties necessary to and incidental to the proper administration of the Condominium, the same being more particularly set forth in the Bylaws of the Association attached hereto. The said Association shall also be empowered to exercise any of the rights, powers, privileges or duties which may, from time to time, be established by law or which may be delegated the owners or co-owners of units in the Condominium. Nothing contained herein to the contrary, either in this Master Deed or in the Bylaws shall serve to exculpate members of the Board of Trustees of the Association appointed by the Sponsor from their fiduciary responsibility.

Anything to the contrary herein, or in the Bylaws of the Association, the percentage of interest of each dwelling unit appertaining to the common

expenses, common receipts, common surplus, shall be as set forth in Article 13 of the Bylaws of the Association. The Sponsor reserves the right, for so long as it shall remain the owner of any of the aforesaid units, to change the price or value of such units. However, no change in the price or value of any of the aforesaid units shall change or otherwise affect the percentage of interest of any of the said units in the general and limited common elements within the Condominium or in the percentage of ownership in the Association as set forth in Article 13 of the Bylaws. Each Unit shall be entitled to one vote.

5.00 Declaration of Restrictive and Protective Covenants and Agreements and Easements Grants. To further implement this plan of ownership, to make feasible the ownership and sale of units in the Condominium, to preserve the character of the community and to make possible the fulfillment of the purpose of cooperative living intended, the Sponsor, its successors and assigns, by reason of this declaration, and all future owners of units in the Condominium by their acquisition of title thereto, covenant and agree as follows:

5.01 Ownership of Common Elements. That the common elements shall be owned in common by all of the owners of dwelling units and none other. The common elements shall remain undivided and no unit owner shall bring any action for partition or division of the whole or any part thereof except as otherwise provided by law or in Article 6, Section 2 of the Bylaws of the Association.

5.02 Ownership and Conveyance of Condominium Units. That each unit shall, for all purposes, constitute a separate parcel of real property which may be owned in fee simple and which may be conveyed, devised, inherited, transferred or encumbered along with its allocated percentage in the common elements, in the same manner as any other parcel of real property, independently of all other units, subject to the provisions of this instrument, the Bylaws of the Association and the Condominium Act. No part of any unit shall be conveyed, devised, inherited, transferred or encumbered apart from the whole of said unit and its correlative percentage in the common elements. All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to the individual units and not to the Condominium as a whole.

5.03 Occupancy of Units. That each unit shall be occupied, within the limitations set forth herein, and used by the respective owners only as a private residential dwelling for the owners, his family, lessees and social guests and for no other purpose.

5.04 Easements and Encroachments. That in the event that any portion of the common elements encroaches upon any unit, or vice versa, or in the event that any portion of one unit, encroaches upon another unit, a valid easement for the encroachment and for the maintenance of the same, so long as it stands, shall and does exist. In the event that any one or more of the dwelling buildings is partially or totally destroyed and is then rebuilt in substantially the same location, and as a result of such rebuilding any portion of the common elements encroaches upon the units, or vice versa, or any of the units encroach upon another unit, a valid easement for such encroachment and for the maintenance thereof, so long as it stands, shall and does exist.

5.05 Location of Condominium Units. That in interpreting any and all provisions of this instrument, the exhibits attached hereto, or subsequent deeds and mortgages to individual units, the actual location of the unit shall be deemed conclusively to be the property intended to be conveyed, reserved or encumbered notwithstanding any minor deviations, either horizontally or vertically, from the proposed locations as indicated on Exhibits "C" and "D" annexed hereto. To the extent that such minor variations in location do or shall exist, a valid easement therefore and for the maintenance thereof does and shall exist. This covenant is necessary by reason of the fact that the Condominium is to be constituted, and this plan of ownership applicable thereto will be implemented, prior to the completion of construction of some of the buildings as shown on the proposed location maps annexed hereto as Exhibit "D".

5.06 Sponsors Nonexclusive Easement to Common Elements. That, as to those portions of the general common elements of the Condominium that lie within the boundary of the property as shown on the annexed Exhibits "C" and "D", a valid nonexclusive easement for the benefit of the Sponsor, its successors and assigns, does and shall continue to exist thereon for the maintenance, operation and renewal thereof and as a means of providing ingress and egress to other portions of the general and limited common elements and of other contiguous lands of the Sponsor, its successors and assigns. For so long as Sponsor has any unsold units in the ordinary course of business in the project, Sponsor shall have the right of ingress and egress and to bring prospective purchasers, lessees, and the like in, to and across the common elements. In addition, a valid easement is reserved to the Sponsor to install maintain, or convey ownership, title and responsibility to a municipal or private authority of, utilities, utility meters, lines, conduits, pipes and other facilities, necessary for the proper maintenance of the common elements within a unit together with a blanket, perpetual and nonexclusive easement of unobstructed ingress in, upon, over, across and through the common elements, to the Borough of Lincoln Park, the Association, their respective officers, agent and employees and all police, fire and ambulance personnel in the proper performance of their respective duties (including but not limited to emergency or other necessary repairs to a unit which the unit owner has failed to perform), and for repair and maintenance of the common elements.

5.07 Utility Easements. That a valid blanket perpetual and nonexclusive easement does and shall continue to exist throughout the common elements for the purpose of installation, maintenance, repair and replacement of all sewer, water, power and telephone pipes, lines, mains, conduits, wires, poles, transformers, meters and any and all other equipment or machinery necessary or incidental to the proper functioning of any utility system, which easement shall be for the benefit of any governmental agency, utility company or other entity which requires same for the purpose of furnishing one or more of these services.

5.08 Membership of Unit Owners in Condominium Association. That every owner or owners of a unit shall automatically, upon becoming the owner of a unit or units in this Condominium, be a member of the Association until such time as his ownership of a dwelling unit herein referred to ceases for any reason, at which time his membership in said Association shall automatically cease. Other than as an incident to a lawful transfer of title to a unit, membership in the Association shall be nontransferable and any attempted transfer shall be null and void.

5.09 Election of Board of Trustees. The right to elect the Board of Trustees of the Association shall be governed as follows:

(a) Sixty days after conveyance of 25 percent (25%) of the lots, parcels, units or interests ultimately to be constructed, not less than 25 percent (25%) of the members of the Board of Trustees shall be elected by the owners;

(b) Sixty days after conveyance of 50 percent (50%) of the lots, parcels, units or interests ultimately to be constructed, not less than 40 percent (40%) of the members of the Board of Trustees shall be elected by the owners;

(c) Sixty days after conveyance of 75 percent (75%) of the lots, parcels, units or interests ultimately to be constructed, the Sponsor's control of the Board of Trustees, shall terminate at which time the owners shall elect the entire Board of Trustees;

(d) The term of Trustees elected pursuant to this paragraph shall terminate on the first annual meeting of the members when all Trustees are unit owners;

(e) Notwithstanding a, b, and c above, the Sponsor may retain one member on the Board of Trustees so long as there are any units remaining unsold in the regular course of business;

(f) Sponsor may surrender control of the Board of Trustees of the Association prior to the time as specified provided the unit owners agree by a majority vote to assume control. However, in no event shall the

Sponsor retain control of the Board of Trustees later than December 1, 1992;

(g) The Association, when controlled by the unit owners, shall not take any action that would be detrimental to the sale or sales of a unit or units by the Sponsor and shall continue the same level of maintenance, operation and services as immediately prior to their assumption of control until the last unit is sold.

(h) When a member of the Board of Trustees who has been elected by unit owners other than Sponsor is removed or resigns that vacancy shall be filled by a unit owner other than Sponsor.

(i) While the Sponsor 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.

While the Sponsor maintains a majority of the executive board, he shall have an annual audit of association funds prepared by an independent accountant, a copy of which shall be delivered to each unit owner within 90 days of the expiration of the fiscal year of the association. The audit shall cover the operating budget and reserve accounts.

5.10 Administration of the Association. That the administration of the Association shall be in accordance with the provisions of this instrument, the Bylaws and Rules and Regulations of the Association, as may from time to time be amended or promulgated, and the Condominium Act.

5.11 Penalties. That each owner, tenant and occupant of a unit shall comply with the provisions of this instrument and the Bylaws and Rules and Regulations of the Association and failure to comply therewith shall be grounds for an action to recover sums due, or damages, or for injunctive relief. The Board shall have the power to implement a system for imposing fines on any Unit Owner who violates the Rules and Regulations of the Association.

5.12 Amendment or Revocation of this Declaration. Except as set forth in paragraph 11, until 75 percent (75%) of the total number of units ultimately to be constructed in the condominium have been conveyed to unit owners, this Declaration and any of its provisions, excluding the Bylaws of the Association, shall not be revoked or amended without the acquiescence of all of the owners and all of the then owners of all of the mortgages covering the units. From the time of conveyance of 75 percent (75%) of the total number of units ultimately to be constructed forward, this Declaration and any of its provisions, excluding the Bylaws of the Association, shall not be revoked or amended without the affirmative vote of 67 percent (67%) of the total number of votes that may be cast. More specifically, except as provided by statute in case of condemnation or substantial loss to the units and/or common elements of the condominium project, unless at least sixty-seven (67%) percent of the first mortgagees (based upon one vote for each first mortgage owned), and unit owners (other than the Sponsor, developer, or builder) have given their prior written approval, the unit owners shall not be entitled to:

- (a) by act or omission, seek to abandon or terminate the condominium project;
- (b) change the pro rata interest or obligations of any individual condominium unit for the purpose of: (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each condominium unit in the common elements;
- (c) partition or subdivide any condominium unit;
- (d) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the common elements (The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the condominium project shall not be deemed a transfer within the meaning of this clause);

(e) use hazard insurance proceeds for losses to any condominium property (whether to units or to common elements) for other than the repair, replacement or reconstruction of such condominium property;

(f) charge, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of units, the exterior maintenance of units, the maintenance of the common properties, party walls or common fences and driveways, or the upkeep of the lawns and plantings of the property.

5.13 Contribution of Unit Owners Toward Expenses, Administration, Etc. of Common Elements and the Association. That, subject to the provisions of Paragraph 9 of this Declaration, the owner or co-owners of each unit are bound to contribute as set forth in Article 13 of the Bylaws toward the expenses of administration, maintenance, repair and replacement of the said common elements, expenses, declared common by this Declaration or the Bylaws and the expenses of administering and maintaining the Association and all of its real and personal property in such amounts as shall from time to time be found by the Association to be necessary, including, but not limited to, expenses for the operation, maintenance, repair or replacement of Association buildings, grounds or facilities, the maintenance, operation, repair or replacement of the recreational facilities; all costs of carrying out the duties and powers of the Association; compensation of Association employees, insurance premiums and expenses relating thereto; taxes which may be assessed against association property and any other expenses of the Association as set forth herein, in the Bylaws or which may be designated by the Board of Trustees as "Common Expenses." No owner may exempt himself from contributing toward such expenses by waiver of the use of enjoyment of the common elements or the community or recreational facilities of the Association or by abandonment of the unit owned by him. However, in accordance with the provisions of Paragraph 9 of this Declaration, prior to July 1, 1986, the Sponsor shall be solely responsible for all the above mentioned costs and expenses in addition to any accrued contributions to Reserves which may be required under Article 13.00 of the Bylaws. The Board of Trustees, whether controlled by the Sponsor or the unit owners is prohibited from making or charging any assessment for such common expenses prior to July 1, 1986.

In accordance with paragraph 6 herein relating to the 56 Affordable Condominiums, any and all assessments by the Association upon any Affordable Condominiums shall be limited to 40% of the Assessment being levied by the Association upon Market Condominiums.

5.14 Lien in Favor of the Association. That all charges and expenses chargeable to any unit shall constitute a lien against said unit in favor of the Association, which lien shall be prior to all other liens except (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 charges and expenses represented in the annual maintenance assessment shall become effective as a lien against each unit on the first day of each year. Additional or added assessments, charges and expenses, if any, chargeable to units and not covered by the usual monthly maintenance charge, shall become effective as a lien against each unit as of the date when the expense or charge giving rise to such additional or added assessment was incurred by the Association. In the event that the assessment, charge or other expenses giving rise to said lien remains unpaid for more than ten (10) days after the same shall become due and payable the entire amount of the annual assessment and other additional or added assessments, charges and expenses shall immediately become due and payable and the lien may be recorded in accordance with the provisions of the N.J.S.A. 46:8B-1 and be foreclosed by the Association in the manner provided for the foreclosure and sale of real estate mortgages, and in the event of foreclosure, the Association shall, in addition to the amount due, be entitled to recover reasonable expenses of the action including court costs and reasonable attorney's fees. The right of the Association to foreclose the lien shall be in addition to any other remedy which may be allowable to it at law or equity for the collection of quarterly, additional or added charges and expenses, including the right to proceed personally against any delinquent owner for the recovery of a personal judgment against him for the amount due, court costs and reasonable

attorney's fees. The title acquired by any purchaser following any such foreclosure sale or sheriff's judgment sale shall be subject to all of the provisions of this instrument, the Bylaws and Rules and Regulations of the Association and the Condominium Act and by so acquiring title to the unit, said purchaser covenants and agrees to abide by and be bound thereby.

5.15 Payment of Expenses Out of Proceeds of Sale. 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 (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.

5.16 Liability of Purchaser for Assessments Due Association. That the acquirer of title to a unit shall be jointly and severally liable with his predecessor in title thereto for the amounts owing by the latter to the Association up to the time of the transfer of title, without prejudice to the acquirer's right to recover from his predecessor in title the amount paid by him as such joint debtor. However, any contract purchaser of a Unit may request from the Association a certificate setting forth the amount of unpaid assessments for such Unit. Such request shall include the names of all persons who shall reside in the Unit, and the anticipated date of closing title. The Association shall provide such certificate within ten (10) days after the receipt of the request. The purchaser may rely upon such certificate and his liability shall be limited to the amount set forth therein. Liability for the payment of said amounts due to the Association shall not attach to the purchaser of the unit following a mortgage foreclosure or sheriff's judgment sale of any unit but the Association shall be entitled to payment thereof out of the proceeds of sale as provided by law. Further, any first mortgagee who obtains title to a condominium unit pursuant to the remedies provided in the mortgage or foreclosure of the mortgage will not be liable for such unit's unpaid dues or charges which accrue prior to the acquisition of title of such unit by the mortgagee. A first mortgagee, upon request, is entitled to (a) written notification from the Association of any default in the performance by its mortgagor of any obligation under the within document which is not cured within sixty (60) days; (b) inspect the books and records of the Association during normal business hours; (c) receive an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association; and (d) written notification of all meetings of the Association and to designate a representative to attend all such meetings.

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

5.18 Modification of Dwelling Units. That no owner shall make any structural modifications or alterations within a dwelling unit without consent of the Association or of 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 multi-unit dwelling buildings or

adversely affect any of the common elements. No owner shall be permitted to install or have installed any window air conditioner, window 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. No owner shall make or cause to be made any alterations to the exterior of his unit or to any general or limited common elements without the prior written approval of the Condominium Association or a committee appointed by it in accordance with its By Laws.

5.19 Use of Common Elements. That each owner or co-owner, tenant or occupant of a dwelling unit may use the common elements of this Condominium in accordance with the purpose for which they are intended, without hindering or encroaching upon the lawful rights of the other owners or co-owners, tenants or occupants. Unit owners shall not cause or permit anything to be hung or displayed or placed on the outside walls, doors or windows of any building without the written consent of the Board of Trustees of the Condominium Association. A Member shall not store anything including but not limited to bicycles, wood, grills or garbage cans on the Limited Common or Common Elements including but not limited to porches, patios and sidewalks without the prior written consent of the Board of Trustees of the Condominium Association. No signs shall be permitted on the exterior or interior of any unit. 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 would be in violation of any law. No waste will be committed in any of the common elements. No recreational vehicles (campers, house-trailers, motor homes, etc.) or commercial vehicles will be allowed to park overnight without prior written approval by the Board of Trustees, or the designated representative of the Board for this purpose. When such permission is granted, the vehicle must be parked in the predesignated area and cannot be used as living quarters. "Commercial vehicles" shall refer to pick-up trucks, vans, trucks, tractors, trailers, wagons, vans or oversized vehicles having commercial license plates or any vehicles, motorized, non-motorized, used for commercial purposes. The Board of Trustees, pursuant to the By-Laws, shall adopt Rules and Regulations which shall be in addition to and supplement to restrictions on the owner's use of the Common Elements and as long as such Rules and Regulations are consistent with the intent and purposes set forth herein, such Rules and Regulations shall be deemed not to be Amendments.

5.20 Access to Units. That the Association shall have the irrevocable right, to be exercised by the Trustees or manager of the Association, to have access to each unit from time to time during reasonable hours as may be necessary for the maintenance, repair or replacement of any of the common elements therein or accessible therefrom or of making emergency repairs therein necessary to prevent damage to the common elements or to another dwelling unit or units. Notice will be given to the unit owner occupant except in an emergency situation.

5.21 Rental Restriction of Units. That dwelling units shall not be rented by the owners thereof for transient or hotel purposes, which shall be defined as (a) rental for any period of less than 180 days, or (b) rental if the occupants of the unit are provided customary hotel services, such as room services for food and beverages, maid service, furnishing laundry and linen bell boy service, etc. Other than the foregoing restriction, except for the provisions applicable to the affordable condominiums, the owners of dwelling units shall have the absolute right to lease the same, provided that the lease is in writing and the terms of the lease are subject to the covenants, conditions and restrictions contained in this instrument, the By-Laws and Rules and Regulations of the Association and the Condominium Act, and that failure by the lessee to comply with the terms of such documents shall be a default under the lease. In the event a tenant of a Unit fails to comply with the provisions of this Master Deed, the Bylaws or Rules and Regulations, then, in addition to all

other remedies which it may have, the Association shall notify the Unit Owner of such violation(s) and demand that the same be remedied through the Unit Owner's efforts within thirty (30) days after such notice. If such violation(s) is not remedied within said thirty (30) day period, then the Unit Owner shall immediately thereafter, at his own cost and expense, institute and diligently prosecute an eviction action against his tenant on account of such violation(s). Such action shall not be compromised or settled without the prior written consent of the Board. In the event the Unit Owner fails to fulfill the foregoing obligation, then the Board shall have the right, but not the duty, to institute and prosecute such action as attorney-in-fact for the Unit Owner and at the Unit Owner's sole cost and expense, including all legal fees incurred. Said costs and expenses shall be deemed to constitute a lien on the particular Unit involved, and collection thereof may be enforced by the Board in the same manner as the Board is entitled to enforce collection of Common Expenses. By acceptance of a deed to any Unit, each and every Unit Owner does thereby automatically and irrevocably name, constitute, appoint and confirm the Board as his attorney-in-fact for the purposes described in this subparagraph.

5.22 Restoration and Replacement of Condominium in Event of Fire, Casualty or Obsolescence. That in the event of fire or other casualty or disaster resulting in damage to a building or buildings and common elements of the Condominium the provisions of Sections 6.01 and 6.02 of Article 6 of the By-Laws shall govern the decision as to restoration, replacement or election not to reconstruct or replace.

All decisions concerning the obsolescence of existing buildings in the Condominium or any of the community and recreational facilities or property of the Association, the sale of condominium property and the demolition and/or replacement of same shall be determined in accordance with Section 6.03 of Article 6 of the By-Laws of the Association.

That the Association acting by and on behalf of the unit owners of this condominium shall insure the buildings against risk of loss by fire and other casualties covered by a broad form fire and extended coverage policy, including vandalism and malicious mischief and such other risks as the Board of Trustees of the Association shall from time to time require, all in accordance with the provisions of the By-Laws of the Association. Nothing contained in this covenant and no provisions of the By-Laws shall be deemed to prohibit any owner or co-owner from obtaining insurance for his own account and for his own benefit. No unit owner or co-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 or impaired in any way.

5.23 Sponsor's Easements. Sponsor, its successors and assigns, shall have the following easements with respect to the Property:

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

(b) A perpetual, blanket and nonexclusive easement in, upon, over, under, across and through the Common Elements for surface water runoff and drainage caused by natural forces and elements, grading and/or the improvements located upon the Property. No individual Unit Owner shall directly or indirectly interfere with or alter the drainage and runoff patterns and systems with the Condominium.

(c) A perpetual, blanket and nonexclusive easement in, upon, through, under and across the Common Elements for the purpose of construction, installation, maintenance and repair of lines, conduits, meters, utilities and other facilities necessary for the operation of a private cable or satellite master antenna system. This easement may be assigned and no individual Unit Owner shall directly or indirectly interfere with or alter the use of this easement. Neither the Association nor any Individual Unit Owners shall be obligated by this Master Deed or the reservation of this easement to use any system installed in accordance with this easement.

6.00 Provisions Applicable to the 56 Affordable Condominiums. Society Hill at Morris II, comprised of a total of 276 residential dwellings, includes 56 residential dwellings known as Affordable Condominiums which are subject to an Affordable Housing Plan which is annexed hereto as Exhibit "I". The Affordable Housing Plan was a condition of approval imposed upon K. Hovnanian at Morris II, Inc. by the Planning Board of the Borough of Lincoln Park in connection with the application for development of Society Hill at Morris II. The Borough of Lincoln Park imposed this requirement upon K. Hovnanian at Morris II, Inc. in an effort to satisfy a portion of the Borough's constitutional obligations with respect to making affordable housing available within the Borough.

The purchaser of an affordable condominium shall be entitled to resell the unit for: (a) the original sales price plus the original sales price multiplied by seventy-five (75%) percent of the percentage increase in the Consumer Price Index between the date of purchase and the date of resale, and (b) reimbursement of documented monetary outlays for reasonable improvements, and (c) any reasonable costs incurred in selling the unit ("Resale Price").

The low income units upon resale may be sold only to Low Income Households, and the moderate income units may be sold to Low or Moderate Income Households. If, however, no low income purchaser is found within six (6) months, the low income unit may be sold to a moderate income purchaser, or, if none is available, to any interested purchaser. If no moderate income purchaser is found for a moderate income unit within six (6) months, the unit may be sold to any purchaser. Regardless of the income of the purchaser, the resale controls shall remain in effect for subsequent resales.

It is the intent and purpose that these Affordable Condominiums be and remain Affordable Condominiums which are affordable to Lower Income Families in accordance with the provisions of the Affordable Housing Plan.

In addition to the foregoing restrictions, the resale of Affordable Condominiums shall be subject to the rules and regulations of the Fair Housing Committee which has been established by the Borough of Lincoln Park. This Agency shall monitor and approve resales of Affordable Condominiums to assure that purchasers of same shall be Lower Income Purchasers as defined by the Agency's Income criteria in effect at the time of the proposed resale. The Agency, however, shall approve any resale of any Affordable Condominium so long as the purchase price as required in the contract of sale and the Deed conveying Title to the new Buyer is not greater than the Resale Price described above, provided, however that the resale price may exceed the foregoing if a greater sum is required to pay off and discharge the existing First Purchase Money Mortgage. Furthermore, Affordable Condominiums shall at all times remain owner-occupied except that under exceptional circumstances to be determined by the Agency, such Affordable Condominiums may be leased or rented for limited periods upon conditions set forth in the regulations.

Owners of Affordable Condominiums may add amenities or Improvements to such Units, however, the effect of these Improvements may not increase the resale price of the Unit beyond amounts which are considered by the Agency to be Affordable to Lower Income Purchasers. It is recommended that owners of Affordable Condominiums obtain approval from the Fair Housing Committee prior to installing improvements to their units. In the event that such amenities or Improvements are installed, however, the resale price of Affordable Condominiums shall nevertheless be restricted by the Agency in accordance with the foregoing standards.

Owners of Affordable Condominiums shall maintain them in accordance with the standards of the Market Condominiums within the development. Failure to do so shall permit Society Hill at Morris II Condominium Association to do so at the cost and expense of the Owner of the Affordable Condominium, and the Association shall have a lien on the Unit for the recovery of all sums expended for such purpose as provided for in the Declaration of Covenants and Restrictions for Society Hill at Morris II. Other than the sums described in the immediately preceding sentence, any and all Assessments by the association upon any Affordable Condominium shall be limited to 40% of the Assessment being levied by the Association upon market condominiums. Commencing upon the date upon which the provisions of this Plan expire or terminate as to Affordable Condominiums, an Affordable Condominium shall be assessed and shall pay assessments in the same manner as a Market Unit. At no time shall the Association levy an Assessment upon an Affordable Condominium for an Association expense for which Market Condominiums are not also being assessed, except as may be provided in the Affordable Housing Plan.

Owners of Affordable Condominiums shall not convey title to or by lease or otherwise, deliver possession of the Affordable Condominiums other than in accordance with the Affordable Housing Plan and Agency regulations. The Association shall have no responsibility whatsoever for implementing, enforcing or supervising the Affordable Housing Plan except for the obligation to notify the Fair Housing Committee at least sixty (60) days prior to instituting a foreclosure action seeking collection of delinquent condominium association assessments. The fair market value of the Affordable Condominiums in the event that the Association elects not to rebuild, with respect to Paragraph 5.22 of the Master Deed entitled "Restoration and Replacement of Condominium in Event of Fire, Casualty or Obsolescence", and the provisions of Sections 1 and 2 of Article 6 of the By-Laws, shall be determined in accordance with the provisions of this plan and shall be limited to the purchase price paid for the Affordable Condominium by the Owner increased by a percentage increase based upon the CPI (New York City - Northeastern New Jersey - all items) increase. The Association shall carry insurance coverage upon the Affordable Condominiums equal to the actual replacement cost of such unit in the event of total destruction and such units shall be rebuilt and replaced and subject to the provisions of this plan in the event the Association elects to rebuild. If the Association elects not to rebuild and dissolve as provided in Paragraph 5.22 of the Master Deed, then the 56 Affordable Condominiums shall be forever released from the restrictions and requirements of the Affordable Housing Plan.

The terms, restrictions, provisions and covenants of the Affordable Housing Plan, and the provisions of the Master Deed referring to and incorporating the Affordable Housing Plan, shall automatically expire and terminate at the earliest of the following: (1) thirty (30) years from the date the Affordable Housing Plan is recorded; (2) the date upon which the right of redemption expires with respect to the Foreclosure of the First Purchase Money Mortgage lien upon an Affordable Condominium by the first mortgagee of the Affordable Condominium as the Plan applies to the specific unit which is subjected to a foreclosure pursuant to this provision; or (3) the date upon which the Association dissolves after an election not to rebuild pursuant to Paragraph 5.22 of the Master Deed or ceases to exist as a result of a total or substantial destruction of the buildings and common elements caused by fire or other casualty for any period of time in which case a document certifying same shall be duly recorded with the Clerk of Morris County.

Neither the Developer, the Owner, the Association nor the Agency shall amend or alter the provisions of this paragraph, or Plan without first obtaining the approval of both the Agency and the Planning Board of the Borough of Lincoln Park. Any such approved amendments or modifications of this Plan shall be in writing and shall contain proof of Planning Board approval and shall not be effective unless and until recorded with the Morris County Clerk.

7.00 Provisions of this Instrument and Exhibits Thereto to be a Covenant Running with the Land. The present title to the property herein described and the title to each unit which shall be hereafter conveyed or subject to the terms and provisions of this instrument and the acquisition

of title by any person to a unit shall be conclusively deemed to mean that the acquirer appropriately adopts and ratifies the provisions of this instrument, the By-Laws and Rules and Regulations of the Association and will comply therewith. The covenants, agreements and restrictions set forth herein shall run with the land and shall be binding upon the Sponsor, its successors and assigns and by all persons claiming by, through or under their heirs, executors, administrators and assigns.

8.00 Easement to Association. The Association shall have a perpetual and exclusive easement for the maintenance of any Common Elements, which may presently or hereafter encroach upon a Unit; and the Association, through the Board or any manager, or managing agent, or their respective agents or employees shall have the perpetual and nonexclusive right of access to each Unit (i) to inspect the same (if) to remedy any violations set forth in this Master Deed, the Bylaws or in any Rules or Regulations of the Master Deed, the Bylaws or in any Rules or Regulations of the Association, and (iii) to perform any operations required in connection with the maintenance, repairs or replacements of or to the Common Elements, or any equipment, facilities or fixtures affecting or serving other Unit(s) or the Common Elements; provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether the Unit Owner is present at the time or not.

9.00 Ownership of Unsold Units. From and after the conveyance of title to the first unit in any building which has been made a part of the Condominium, and in the event there are unsold Condominium units in such building, the Sponsor shall be deemed to be the owner of said unsold units under the same terms and conditions as all other unit owners of said Condominium. The obligation of Sponsor to pay Association assessments, including the replacement Reserves funds for a particular unit in a building, shall commence on the date that the unit is issued a Certificate of Occupancy by the governing municipality. Sponsor shall not, however, be obligated to pay any maintenance fees or assessments for common expenses other than replacement Reserves funds for so long as Sponsor is providing any subsidy or guarantee to unit owners of maintenance fees or assessments for common expenses.

Sponsor shall be responsible for performing all duties and tasks necessary for the operation, maintenance, renewal, replacement, care and upkeep of the common elements and services and the community and recreational facilities and all other property, real or personal of the Association, prior to July 1, 1986. The intent of this provision is that the Sponsor shall bear all costs and expenses in administering and maintaining the common elements such that there will be no assessment of any kind to any unit owner prior to July 1, 1986. In the event at any time prior to July 1, 1986 the Sponsor shall no longer be in control of the Board of Trustees of the Association, the Sponsor shall continue to bear all costs and expenses in administering and maintaining the common elements except that the Association shall be prohibited from making any capital expenditures or increasing the reserves without the prior written consent of the Sponsor.

10.00 Provisions for Benefit of Mortgagees. The following provisions are hereby established for the benefit of holders of first mortgages on units.

10.01 Foreclosures. Any unit which is acquired by any first mortgagee by Deed in lieu of foreclosure, or by any purchaser at a mortgage foreclosure sale (except the mortgagor) shall be free of any lien for unpaid assessments and charges to the extent that said assessments arose prior to the time the holder of the first mortgage came into possession of the unit (or prior to the foreclosure sale, whichever occurs first), except for claims for a pro rata share of such assessments or charges to all units including the mortgaged unit.

Any lien which the Association may have on any unit in the project for the payment of common expense assessments attributable to such unit will be subordinate to the lien of any first mortgage on the unit recorded prior to the date of any such common expense.

10.02 Notice. The Association shall provide any first notice mortgagee with prompt notice of any default in any unit owner's obligations under the condominium documents if said default is not cured within thirty (30) days of the date of the default. Notwithstanding the absence of any express provision to such effect in the mortgage instrument, in the event that there is any default in the payment of any installment of a Common Expense assessment with respect to any Unit, either regular or special, any Lender holding a mortgage which encumbers such Unit shall be entitled to declare such mortgage in default in the same manner that is permitted by such mortgage with respect to any default in the payment of real estate taxes.

10.03 Right of Inspection. Any first notice mortgagee shall, upon request, be entitled to: (a) inspect the books and records of the Association during normal working hours; and (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association; and (c) written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

10.04 Condemnation. In the event any unit or any portion thereof or any part of the common elements become the subject matter of any condemnation or any eminent domain, or become substantially damaged by fire or other casualty, the institutional holder of any first mortgage on any unit so affected shall receive timely written notice thereof. No owner of any unit or any other party shall have any priority over such institutional holder with respect to the distribution to such unit of the proceeds of any claim, award, settlement or judgment.

10.05 Easement of Encroachment. In the event any portion of the common elements encroaches on any unit or any unit encroaches on any common element, as a result of any construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, every owner and every institutional mortgagee as well as the Association, shall have permanent easements to the extent required to continue the encroachment and to maintain the encroaching structure or improvement for so long as the encroachment exists.

10.06 Membership. Any mortgagee or any other person acquiring title at any mortgage foreclosure sale shall, upon the recording of the Sheriff's deed, become a member of the Association and shall have all of the rights and benefits of an owner, including voting rights, and shall have all of the duties of a member of the Association, subject to the provisions of N.J.S.A. 46:8B-14.

10.07 Fidelity Bond. A fidelity bond may be required of any person or entity handling funds of the Condominium Owners' Association, at the discretion of the Board of Trustees.

10.08 Mortgagee's Approval. The Condominium Association Board of Trustees shall not accomplish, or cause to be accomplished, any of the following, unless at least three-fourths (3/4) of the first notice mortgagees (based upon one vote for each first mortgage owned) of the individual condominium units have given their prior written approval:

- (a) By act or omission, seek to abandon or terminate the condominium project.
- (b) Change the pro rata interest or obligations of any individual condominium unit for the purpose of:
 - (i) Levying assessment or charges or allocating distributions of hazard insurance proceeds or condemnation awards; or
 - (ii) Determining the pro-rata share of ownership of each condominium unit in the common elements.
- (c) Partition or subdivide any condominium unit.

(d) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the common elements. (The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements by the condominium project shall not be deemed a transfer within the meaning of this clause.)

(e) Use hazard insurance proceeds for losses to any condominium property (whether to units or to common elements) for other than the repair, replacement or reconstruction of such condominium property, except as provided by statute in case of substantial loss to the units and/or common elements of the condominium project.

10.09 Insurance Proceeds. No condominium unit owner or other party shall have any priority over any rights of the first mortgagee of any condominium unit in the case of a distribution to such unit owner of insurance proceeds or condemnation awards, the losses to or taking of condominium units and/or common elements. The Association and Board of Trustees shall utilize those portions of any award relating to the common elements to restore the common elements.

10.10 No Right of First Refusal. At no time shall the Association or the Board of Trustees impose any right of first refusal or similar restriction on any units within the Condominium. Any such imposition shall be void and of no effect.

10.11 Definition. As used throughout this Section, the term "notice mortgagee" shall refer to any institutional first mortgagee which shall, at the time of the making of the mortgage loan, advise the Condominium Association's Secretary, in writing, by certified mail, return receipt requested, that it wishes to be accorded the rights of the "notice mortgagee" under the Master Deed, Paragraph 10.

11.00 Amendments to this Master Deed. Sponsor hereby reserves for itself, its successors and assigns for a period of five (5) years from the date the first unit is conveyed to an individual purchaser, or within seven (7) years from the date of recording of this Master Deed, or until the closing of title of not less than 276 condominium units within the property depicted in Exhibit "B" attached hereto, whichever event occurs first, the right to execute on behalf of all contract purchasers, unit owners, mortgagees, eligible mortgage holders, eligible insurers or guarantors, other lien holders or parties claiming a legal or equitable interest in the Condominium, any such agreements, documents, amendments or supplements to the above described documents which may be required to effectuate the changes enumerated below; provided, however, that no such agreement, document, amendment or supplement shall effect a material physical modification of a unit, without the prior written consent of the unit owner and his mortgagee or adversely affect the priority or validity of a purchase money lien on a unit sold hereunder, without the prior written consent of the mortgagee or any institutional holder of a first mortgage.

As a requirement to being the transferee or recipient of any interest in the Condominium or any Unit, each and every transferee shall execute the deed by which title or interest is being conveyed to such transferee and such deed shall provide that the transferee does irrevocably name, constitute, appoint and confirm Sponsor, its successors and assigns, as attorney-in-fact for such transferee for the purposes set forth in Paragraph 11 and its sub-paragraphs of the Master Deed. Furthermore, by acceptance of a deed to any unit or by the acceptance of any other legal or equitable interest in the Condominium, each and every contract purchaser, unit owner or occupant, holder of any mortgage or other liens, does automatically and irrevocably name, constitute, appoint and confirm (i) Sponsor, its successors and assigns, as attorney-in-fact for the purpose of executing such amended Master Deed(s) and other instrument(s) necessary to effect the foregoing (provided that such power of attorney may not be used to adversely affect the priority or validity of any lien on or the value of any unit) and (ii) the Association, as attorney-in-fact to acquire title to or lease any unit whose owner desires to surrender, sell or lease the same, in the name of the Association or its designees, corporate or otherwise, on behalf of all unit owners and to convey, sell, lease, mortgage (but not to vote the votes appurtenant thereto) or otherwise, dispose of any such units so acquired or to sublease any units so leased by the Association.

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

Sponsor may use the right granted in this paragraph to effectuate the following changes, enumerated by way of description and not limitation:

11.01 Decreases. Decreasing the number of units to be included within the Condominium, increasing the proportionate share of common elements and the percentage share of costs and increasing voting rights proportionately, and decreasing the area of the lands to be dedicated to the Condominium accordingly. However, the Sponsor shall not have the power to reduce the Condominium to less than 24 units unless such amendment is accomplished prior to the conveyance of the first unit in Phase I, and said amendment is recorded for the purpose of terminating the Condominium. While the sponsor maintains a majority of the Board of Directors, it shall make no additions, alterations, improvements or purchases not contemplated in this Offering which would necessitate a special assessment or a substantial increase in the monthly assessment unless required by a government agency, title insurance company, mortgage lender or in the event of an emergency.

11.02 Increases. Adding units and lands to the area included within the Condominium and adjusting the proportionate share of common elements, share of costs and voting rights proportionately. However, the voting right and proportionate share of common elements of the owners of the unit shall always equal a fraction which is equal to one divided by the total number of units contained within the Condominium, as is set forth in the Master Deed or its amendments thereto. Prior to the closing of title of any unit within any building affected, the Sponsor may amend the Master Deed to alter and/or fix the location, configuration, shape and size of any building or buildings, and to alter and/or fix the size, shape, number and configuration of any units within any building.

11.03 Easements. Adding to or altering the location, size and/or purpose of easements and lands for utilities, roads, access, egress, drainage and/or financing purposes; or convey or assign such easements to the appropriate governmental authority or utility agency or company.

11.04 Use of Easements. To permit the users or occupants of lands owned by or controlled by the Sponsor to utilize easements, roads, drainage facilities, utility lines, and the like, within or servicing the Condominium.

11.05 Surrender of Sponsor's Rights. To surrender or modify rights to the Sponsor in favor of the unit owners and/or the Condominium Association, and/or their respective mortgagees.

11.06 Technical Changes. Correcting, supplementing and providing technical changes to the Master Deed and any of its amendments.

11.07 Recordation. With respect to subparagraphs 11.03 and 11.04 above, and, further, with respect to all easements, rights and encumbrances encompassed by Paragraphs 5.04, 5.06, 5.07, 5.14 and 8.00 (and excluding those which arise out of statutory provisions or common law), all such easements, rights and encumbrances will be reduced to writing and recorded.

11.08 Changes Prohibited. The Sponsor shall not be permitted to cast any votes held by him for unsold lots, parcels, units (finished and unfinished) or interests for the purpose of amending the Master Deed, By Laws or any other document for the purpose of changing the permitted use of a lot, parcel, unit or interest, or for the purpose of reducing the common elements or facilities. However, Sponsor shall be permitted to cast such votes on all other matters.

11.09 Effective Date of Amendment. Any amendment to the Master Deed will become effective upon the recording of an amendment to the Master Deed in the Office of the Clerk of Morris County. The Sponsor will, thereafter, provide copies of said amendment to each owner and mortgagee affected.

11.10 Mortgagee's Consent. During the period mentioned in this Article 11, during which the Sponsor may amend the Master Deed, and following the expiration of the Sponsor's right to amend the Master Deed, neither the Board of Trustees, nor the Sponsor may amend Paragraphs 5.20, 5.23, 8.00 10.00 and 14.00 of this Master Deed without the written consent of at least three-fourths (3/4) of the first notice mortgagees of condominium units within the Condominium. Following the expiration of the Sponsor's right to amend the Master Deed, and except as is set forth herein, the Board of Trustees may otherwise amend the Master Deed by a vote of at least two-thirds (2/3) of the total membership of the Board. However, the Board of Trustees may not, at any time, amend the Master Deed so as to adversely affect any rights or easements reserved to the Sponsor, its successors or assigns.

12.00 Severability of Provisions Hereof. It is the intention of the Sponsor that the provisions of this instrument are severable so that if any provisions, conditions, covenants or restrictions thereof shall be invalid or void under any applicable federal, state or local law, the remainder shall be unaffected thereby. In the event that any provisions, condition, covenant or restriction thereof, is at the time of recording of this instrument, void, voidable or unenforceable as being contrary to any applicable federal, state or local law, the Sponsor, its successors and assigns, and all persons claiming by, through or under the Association covenant and agree that any future amendments or supplements to the said laws having the effect of removing said invalidity, voidability or unenforceability, shall be deemed to apply retrospectively to this instrument thereby operating to validate the provisions of this instrument which otherwise might be invalid and it is covenanted and agreed that any such amendments and supplements to the said laws shall have the effect herein described as fully as if they had been in effect at the time of the execution of this instrument.

13.00 Reservation of Amendment Rights. Regardless of any other provision of the Declaration, the Sponsor specifically reserves the right, at any time as long as the Sponsor retains title to any property thereunder, to amend the within Master Deed and Declaration of Restrictive and Protective Covenants, and any amendments thereto, for the express purpose of qualifying the property hereunder for Federal National Mortgage Association and/or Federal Home Loan Mortgage Corporation mortgage financing programs, or any other similar secondary mortgage lender or purchaser of mortgage loans in the secondary mortgage market so long as such amendment is not in conflict with the New Jersey Condominium Act (N.J.S.A. 46:8B-11 et. seq.) or other applicable laws, regulations and statutes. Such amendment shall not require the approval of any of the unit owners. All costs associated with such amendment shall be the sole obligation of the Sponsor.

The Sponsor hereby reserves the right to execute on behalf of all contract purchasers, unit owners, mortgagees, eligible mortgage holders, eligible insurers or guarantors, other lien holders or parties claiming a legal or equitable interest in the Condominium, any such agreements, documents, amendments or supplements to the above described documents which may be so required to effectuate and implement any of the amendments described in this section and paragraph.

As a requirement to being the transferee or recipient of any interest in the Condominium or any Unit, each and every transferee shall execute the deed by which title or interest is being conveyed to such transferee and such deed shall provide that the transferee does irrevocably name, constitute, appoint and confirm Sponsor, its successors and assigns, as attorney-in-fact for such transferee for the purposes set forth in Paragraph 11 and its sub-paragraphs of the Master Deed. Furthermore, by acceptance of a deed to any unit or by the acceptance of any other legal or equitable interest in the Condominium, each and every contract purchaser, unit owner or occupant, holder of any mortgage or other liens, does

automatically and irrevocably name, constitute, appoint and confirm (i) Sponsor, its successors and assigns, as attorney-in-fact for the purpose of executing such amended Master Deed(s) and other instrument(s) necessary to effect the foregoing (provided that such power of attorney may not be used to adversely affect the priority or validity of any lien on or the value of any unit).

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

14.00 Municipal Maintenance. In the event that the Association shall at any time after establishment of the development fail to maintain the common open space and undedicated streets in reasonable order and condition in accordance with the plans approved by the Borough of Lincoln Park Planning Board, the Borough of Lincoln Park ("Borough") may serve written notice upon the Association or upon the residents and owners of the development, setting forth the manner in which the Association has failed to maintain the common open space in reasonable condition, and the notice shall include a demand that the deficiencies of maintenance be cured within 35 days thereof, and shall state the date and place of the hearing thereon which shall be held 15 days from the date of the notice. At that hearing, the Borough may modify the terms of the original notice as to the deficiencies and may give an extension of time not to exceed 65 days within which such deficiencies shall be cured. If the deficiencies set forth in the original notice or in the modifications thereof shall not be cured within 35 days of any extension thereof, the Borough, in order to prevent the common open space from becoming a public nuisance, may enter upon the common open space and maintain it for a period of one (1) year. Entry and maintenance by the Borough shall not vest in the public any rights to use any open space except when it is voluntarily dedicated to the public by the residents and owners of the development. Before the expiration of the one (1) year period, the Borough shall, upon its initiative or upon the request of the Association, or the residents and owners of the development, order a public hearing within 15 days notice by the Borough. At that hearing, the Association or the residents and owners of the development shall show cause why maintenance by the Borough shall not, at the election of the Borough, continue for the succeeding year. If the Borough shall determine that the Association is not ready and able to maintain the common open space in a reasonable condition, the Borough may, in its discretion, continue to maintain the common open space during the next succeeding year and, subject to a similar hearing and determination, each year thereafter. The decision of the Borough in such case shall constitute a final administrative decision subject to judicial review. The cost of maintenance by the Borough shall be assessed ratably against the properties within the development having the right of enjoyment of the common open space, and shall become a tax lien on those properties and be added to and be a part of the taxes to be levied and assessed thereon, and enforced and collected with interest by the same officers and in the same manner as other taxes. The Borough at the time of entering upon the common open space for the purpose of maintenance, shall file a notice of the tax lien in the office of the Morris County Clerk upon the properties affected by the tax lien within the development.

In the event of a conflict between the Master Deed and Bylaws, the provisions of the Master Deed shall control.

IN WITNESS WHEREOF, The Sponsor has caused this instrument to be signed, sealed and delivered by its proper corporate officers and its corporate seal to be affixed this _____ day of _____, 1986.

ATTEST:

K. HOVNIANIAN AT MORRIS II, INC.

FRANK L. INZINNA, Asst. Secretary

BY:

GEORGE P. YANKOWICH, Sr. Vice President
20

STATE OF NEW JERSEY: ss.
COUNTY OF MONMOUTH :

BE IT REMEMBERED, that on this ____ day of _____, 198__, the subscriber, an Attorney at Law of the State of New Jersey, personally appeared FRANK L. INZINNA, who, being by me duly sworn upon his oath, deposes and makes proof to my satisfaction, that he is the Secretary of K. Hovnanian at Morris II, Inc., the corporation named in the within instrument; that GEORGE P. YANKOWICH is the Senior Vice President of said corporation; that the execution, as well as the making of this instrument, has been duly authorized by a proper resolution of the Board of Directors of the said corporation; that deponent well knows the corporate seal of said corporation; and that the seal affixed to said instrument is the proper corporate seal and was thereto affixed and said instrument signed and delivered by said Senior Vice President as and for the voluntary act and deed of said corporation, in presence of deponent, who thereupon subscribed his name thereto as attesting witness.

FRANK L. INZINNA

Sworn and Subscribed to before
me the date aforesaid.

EDWARD A. ISRAELOW, An Attorney
At Law of the State of N. J.

Prepared by:

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

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METES AND BOUNDS DESCRIPTION OF
 PARCEL NO. 1 CONTAINING 15.184 ACRES,
 BEING A PORTION OF EXISTING TAX MAP LOT 8, BLOCK 136,
 SITUATED IN THE BOROUGH OF LINCOLN PARK,
 MORRIS COUNTY, NEW JERSEY
 TO BE CONVEYED FROM AGNES BREITTINGER TO
 K. HOVNANIAN COMPANIES OF NEW JERSEY, INC.

BEGINNING at an iron pin set for a corner in the southerly
 sideline of Pine Brook Road where the same is intersected by the
 easterly boundary line of Lot 8-1, Block 136 extended northerly,
 said beginning corner being also distant 25.00 feet southerly
 from and at right angles to the centerline of Pine Brook Road,
 and from said beginning point running; thence

Running along the southerly sideline of Pine Brook Road the
 following four courses, being courses 1 thru 4 inclusive,

1. South 70° 23' 36" East 8.77 feet to an angle point;
thence
2. South 64° 45' 56" East 100.77 feet to a point of
curvature; thence
3. Southeasterly along a curve bearing to the right
having a radius of 125.00 feet, an arc distance of
63.10 feet to a point of tangency; thence
4. South 35° 50' 29" East 27.59 feet; thence
5. North 70° 23' 36" West 90.42 feet; thence
6. South 19° 36' 24" West 375.89 feet; thence
7. South 67° 48' 14" East 222.78 feet; thence
8. South 15° 43' 49" West 483.89 feet to an iron pin
set for a corner, said iron pin being the north-
westerly corner of Lot 8-2, Block 136; thence
9. South 15° 43' 49" West and run along the westerly
line of Lot 8-2, Block 136 a distance of 436.90 feet
to the north easterly corner of existing Tax Map
Lot 5, Block 136; thence
10. North 80° 17' 07" West and run along the northerly
line of Lot 5 a distance of 506.37 feet to an iron pin
found at a corner in the easterly line of Lot 3,
Block 136, being lands now or formerly belonging
to K. Hovnanian at Morris, Inc.; thence
11. North 80° 30' 10" West and run along the lands of
K. Hovnanian at Morris, Inc., a distance of 64.39
feet; thence
12. North 09° 54' 20" East and run along the easterly
line of lands now or formerly belonging to K. Hovnanian
at Morris Inc., a distance of 1027.93 feet to an iron
pin set for a corner; thence
13. South 81° 57' 56" East and run along the southerly
line of Lots 8-3 and 8-1, Block 136 a distance of
357.92 feet; thence

EXHIBIT "A"

14. North 19° 36' 24" East and run along the easterly line of Lot 8-1, Block 136 a distance of 364.86 feet to the point and place of beginning.

Contains 15.184 Acres.

The foregoing description was prepared in accordance with a map entitled "Boundary Survey, Tax Map Lots 5 and 8, Block 136, Borough of Lincoln Park, Morris County, New Jersey" dated August 27, 1984 revised April 18, 1985, prepared by Donald W. Smith Associates, P.A., Nicholas V. Coppola, P.L.S. #16763.

METES AND BOUNDS DESCRIPTION OF
PARCEL NO. 3 CONTAINING 13.330 ACRES
BEING ALSO KNOWN AS TAX MAP LOT 5, BLOCK 136
SITUATED IN THE BOROUGH OF LINCOLN PARK,
MORRIS COUNTY, NEW JERSEY
TO BE CONVEYED FROM LOUIS S. FRED A AND ANGELINA FRED A
TO K. HOVNANIAN COMPANIES OF NEW JERSEY, INC.

BEGINNING at an iron pin found at the intersection of the dividing line between existing Tax Map Lots 5 and 8, Block 136 with the easterly line of Lot 3 being lands now or formerly belonging to K. Hovnanian at Morris, Inc. said beginning point being also the eleventh corner of whole tract of land containing 15.184 Acres being also known as Parcel No. 1 to be conveyed to K. Hovnanian Companies of New Jersey, Inc., and from said beginning point running; thence

1. South 80° 17' 07" East 506.37 feet to a point in the westerly line of Lot 8-2, Block 136; thence
2. South 16° 57' 30" West running along an 8 foot wide rock wall and westerly line of Lots 8-2 and 9 Block 136 a distance of 1160.90 feet; thence
3. South 81° 57' 30" West 501.64 feet to a point in the easterly line of Lot 3, Block 136 now or formerly lands belonging to K. Hovnanian at Morris Inc.;

Along said easterly line the following three courses, being courses 4 thru 6 inclusive

4. North 16° 57' 30" East 937.20 feet to an iron pipe found; thence
5. North 80° 40' 00" West 47.06 feet; thence
6. North 16° 48' 00" East 378.10 feet to the point and place of beginning.

Contains 13.330 Acres

The foregoing description was prepared in accordance with a map entitled "Boundary Survey, Tax Map Lots 5 and 8, Block 136, Borough of Lincoln Park, Morris County, New Jersey", dated August 27, 1984 revised April 18, 1985 prepared by Donald W. Smith Associates, P.A., Nicholas V. Coppola, P.L.S. License No. 16763.

METES AND BOUNDS DESCRIPTION

PHASE ONE

THE SOCIETY HILL CLUB OF MORRIS II

BOROUGH OF LINCOLN PARK

MORRIS COUNTY, NEW JERSEY

Beginning at a point in the southerly sideline of Pine Brook Road where the same is intersected by the dividing line between the westerly boundary line of the Society Hill Club At Morris II, Phase One and the easterly boundary line of Lot 8-1, Block 178 being lands now or formerly belonging to Constanzo & Lynn Derocco, produced northerly, said beginning point being also distant 25.00 feet southerly from and at right angles to the center line of Pine Brook Road and from said beginning point running; thence

Southeasterly and run along the southerly sideline of Pine Brook Road the following four courses being courses 1 thru 4, inclusive,

1. South 70° 23' 36", East 8.77 feet to an angle point therein; thence
2. South 64° 45' 56", East 100.77 feet to a point of curvature; thence
3. Southeasterly along a curve bearing to the right having a radius of 125.00 feet, an arc distance of 63.10 feet to a point of tangency; thence
4. South 35° 50' 29", East 27.59 feet; thence
5. North 70° 23' 36", West 90.42 feet; thence
6. South 19° 36' 24", West 564.28 feet; thence
7. South 77° 06' 24", West 87.56 feet to a point of curvature; thence
8. Southwesterly along a curve bearing to the left, having a radius of 101.00 feet, an arc distance of 62.17 feet to a point of tangency; thence
9. South 41° 50' 10", West 62.00 feet to a point of curvature; thence
10. Southwesterly along a curve bearing to the left having a radius of 121.00 feet, an arc distance of 96.23 feet to a point of tangency; thence
11. South 03° 43' 55" East, 15.50 feet; thence
12. South 86° 16' 05", West 119.37 feet, thence
13. North 80° 05' 40" West, 127.43 feet; thence
14. North 09° 54' 20", East 220.00 feet; thence
15. South 80° 05' 40" East, 209.39 feet; thence

16. North 41° 50' 10", East 14.44 feet to a point of curvature;
thence
 17. Northeasterly along a curve bearing to the right, having
a radius of 184.00 feet, an arc distance of 134.42 feet;
thence
 18. North 19° 36' 24", East 577.98 feet to the point and
place of Beginning.
- Contains 2.912 acres.

EXHIBIT E

<u>Unit No.</u>	<u>Building No.</u>	<u>Unit Type</u>	<u>Parking Space</u>	<u>Limited Common Element</u>	<u>Percentage Interest In Undivided Elements</u>
A1	1	5300	1	1	4.167
A2	1	5300	1	1	4.167
A3	1	5300	1	1	4.167
B1	1	5300	1	1	4.167
B2	1	5300	1	1	4.167
B3	1	5300	1	1	4.167
C1	1	5302	1	1	4.167
C2	1	5302	1	1	4.167
C3	1	5302	1	1	4.167
D1	1	5302	1	1	4.167
D2	1	5302	1	1	4.167
D3	1	5302	1	1	4.167
E1	1	5300	1	1	4.167
E2	1	5300	1	1	4.167
E3	1	5300	1	1	4.167
F1	1	5300	1	1	4.167
F2	1	5300	1	1	4.167
F3	1	5300	1	1	4.167
G1	1	5302	1	1	4.167
G2	1	5302	1	1	4.167
G3	1	5302	1	1	4.167
H1	1	5302	1	1	4.167
H2	1	5302	1	1	4.167
H3	1	5302	1	1	4.167

BY LAWS OF THE SOCIETY HILL AT MORRIS II
CONDOMINIUM ASSOCIATION

1.00 Applicability, Member, Membership and Definitions

1.01 Purpose. These By Laws shall be applicable to The Society Hill at Morris II Condominium Association, Inc., a nonprofit corporation of the State of New Jersey, hereinafter referred to as the "Association," to all of the members thereof, as hereinafter defined, to the community and recreational facilities owned or maintained by the Association and to The Society Hill at Morris II condominium which is now, or may hereinafter be created or expanded, hereinafter referred to as the "Condominium."

1.02 Members. All present and future owners, tenants, future tenants, their guests, licensees, agents, employees and any other person or persons that shall be permitted to use the facilities of the Association or of the Condominium, shall be subject to these By Laws and to the Rules and Regulations issued by the Association to govern the conduct of its members. Acquisition, rental or occupancy of any of the units in the Condominium shall be conclusively deemed to mean that the said owner, tenant or occupant has accepted and ratified these By Laws and the Rules and Regulations of the Association and will comply with them.

1.03 Definition of Terms. Unless it is plainly evident from the context that a different meaning is intended, as used throughout these By Laws, all definitions set forth in the Master Deed or N.J.S.A. 46:8B-3 are incorporated herein by reference.

(a) "Member" means the owner or co-owners of a dwelling unit in the Condominium, their heirs, executors and assigns;

(b) "Sponsor" means K. Hovnanian at Morris II, Inc. its successors and assigns.

1.04 Rights of Members. Except as otherwise provided, membership in the Association shall be limited to the owners or co-owners of dwelling units in the Condominium, provided that whenever title to a unit is vested in two or more persons, such co-owners shall be entitled jointly to one vote for their particular unit.

In the event that a Member shall lease or permit another to occupy his Condominium unit, the tenant or occupant shall be permitted to enjoy the recreational and community facilities of the Association, but shall not vote in the affairs of the Association unless the Member shall permit the tenant or occupant to exercise the proxy vote of the Member. The use of community and recreational facilities of the Association shall be limited to occupants of dwelling units and their guests.

In the event that a Member shall mortgage his unit, the lien of the mortgage shall be deemed to attach to the Member's rights, privileges and obligations of the Association, including the right to vote in the affairs of the Association so that if the Member shall be in default of any of the terms of the mortgage and such default shall result in foreclosure thereof, the Member's membership in the Association shall automatically terminate and all of the rights, privileges and obligations of membership shall inure to the mortgagee and its heirs, executors and assigns.

Every lawful transfer of title to a Member's unit shall include membership in the Association and upon making such transfer, the previous owner's membership shall automatically terminate. Each Member, within 7 days after execution of a contract to sell the condominium unit, shall send written notice to the Association specifying the purchaser's name, address, and anticipated closing date.

Except as provided herein, membership in the Association may not be assigned or transferred and any attempted assignment or transfer thereof shall be void and of no effect.

1.05 Evidence of membership and ownership in the Association may be

evidenced by a membership card issued to each Member of the Association.

2.00 Principal Office. The principal office of the Association shall be located initially at 10 Highway 35, Red Bank, New Jersey 07701 but thereafter, may be located at such other suitable and convenient place or places as shall be permitted by law and designated by the Trustees.

3.00 Meetings of Members: Voting

3.01 Place of Meetings. All annual and special meetings of the Association shall be held at the principal office of the Association or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Trustees and designated in the notices of such meetings.

3.02 Annual Meeting. The first annual meeting shall be held not more than 60 days after 75% of all units ultimately to be constructed have been conveyed to individual unit owners, and succeeding annual meetings shall be held on the anniversary date of the first annual meeting. If the election of Trustees shall not be held on the date designated herein for any annual meeting or at any adjournment of such meeting, the Board shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting the unit owners may elect the Trustees and transact other business with the same force and effect as at an annual meeting duly called and held. Each proxy validly received for the originally scheduled meeting shall remain in full force and effect for any such adjourned meeting or special meeting unless it is revoked or superseded by a later valid proxy. New proxies may be received for any such subsequent meeting.

3.03 Notice of Annual Meetings. The Secretary shall mail notices of annual meetings to each Member of the Association, directed to his last known post office address as shown on the records of the Association, by regular mail, postage prepaid. Such notice shall be mailed not less than 10 days nor more than 20 days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof. In lieu of mailing notices as herein provided, such notice may be delivered by hand to the Members or left at their residence in their absence.

3.04 Special Meetings. The President may call a special meeting of the Members of the Association and it shall be the duty of the President to call a special meeting of the Members of the Association whenever he is directed to do so by resolution of a majority of the Trustees or upon presentation to the Secretary of a petition signed by 33 1/3 percent of the Members entitled to vote at such meeting.

3.05 Notice of Special Meetings. The Secretary shall mail notice of such special meeting to each Member of the Association in the manner provided in Section 3.03 of this Article, except that notices of such special meetings shall be mailed not less than 5, nor more than 10 days before the date fixed for such meetings. In lieu of mail notice as herein provided, such notice may be delivered by hand to the Members or left at their residence in their absence. No other business shall be transacted at any special meeting except that which is stated in the notice thereof unless by consent of two thirds of the Members present, either in person or by proxy.

3.06 List of Members. The Secretary shall compile and keep up to date at the principal office of the Association, a complete list of the Members and their last known post office addresses. Such list shall also show opposite each Member's name the number of dwelling units owned by him and the parking space(s) assigned to said unit(s). This list shall be open to inspection by all Members and other persons lawfully entitled to inspect the same at reasonable hours during regular business days. The Secretary shall also keep current and retain custody of the minute book of the Association, containing the minutes of all annual and special meetings of the Association and all resolution of the Trustees.

3.07 Voting. Each Condominium unit shall have one vote in the Association. If a Member owns more than one unit, he shall be entitled to one vote for each unit owned. The vote of a Condominium unit shall not be divisible.

3.08 Good Standing. A Member shall be deemed to be in "good standing" and "entitled to vote" at any annual or special meeting of the Association if, and only if, he has fully paid all assessments or fines made or levied against him and his unit by the Trustees as hereinafter provided, together with all interest, costs, attorney's fees, penalties and other expenses, if any, properly chargeable to him and against his unit, at least three calendar days prior to the date fixed for such annual or special meeting.

3.09 Quorum. Except as otherwise provided in the By Laws, the presence in person or by proxy of Members representing a majority of the total number of votes in the Association shall constitute a quorum at any annual or special meeting of Members. If any meeting of Members cannot be organized because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than 18 hours from the time the original meeting was called. In the event of any such adjourned meeting, no further notice of the adjourned date need be given to any of the Members.

3.10 Proxies. Votes may be cast either in person or by proxy. Proxies must be in writing and filed with the Secretary at least two calendar days before the time designated for each meeting in the notice thereof.

3.11 Capital Expenditures. All decisions of the Members involving capital expenditures shall require for passage the affirmative vote of at least 75 percent of the Members in good standing and entitled to vote and who vote in person or by proxy. All other decisions shall require for passage the affirmative vote of at least a majority of the Members in good standing and entitled to vote and who vote in person or by proxy. The Trustees shall be governed in the making of capital expenditures by decisions made by the Members as provided in this section. As long as the Sponsor maintains a majority of the Board of Trustees, Sponsor shall make no additions, alterations, improvements or purchases which necessitate a special assessment or a substantial increase in the monthly assessment unless so required by a governmental agency, title insurance company, mortgage lender or in the event of an emergency.

3.12 Order of Business. The order or business at all annual meetings of the Members of the Association shall be as follows:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver;
- (c) Reading of minutes of preceding meeting;
- (d) Reports of officers;
- (e) Reports of committees;
- (f) Appointment of inspectors of election;
- (g) Election of Trustees;
- (h) Unfinished business;
- (i) New business;
- (j) Election of Officers.

4.00 Obligations of Members

4.01 Unit Maintenance. Each Member shall perform promptly and at his own risk, cost and expense all maintenance and repair work with respect to the portion of each unit owned by that Member which does not comprise a part of the common elements and those common elements which are designated as limited common elements other than any assigned parking space and which, if omitted, would adversely affect or jeopardize the safety of the Condominium or any part or parts thereof belonging in whole or in part to other Members and each Member shall be liable for any damages, liabilities, costs or expenses, including attorney's fees, caused by or arising out of his failure to promptly perform any such maintenance and repair work.

4.02 Negligence. Each Member shall be obligated to reimburse the Association for any expenses incurred by it in repairing or replacing any part or parts of the common elements damaged solely by his negligence or by the negligence of the Member's tenants, Associations's statement therefor.

4.03 Common Expense. Each Member is bound to contribute, as set forth in Section 13.00 herein, toward the expenses of administration and of maintenance and repair of the common elements of the Condominium which is administered by this Association; to the expenses of administering and maintaining the Association and all of its real and personal property in such amounts as shall from time to time be fixed by the Trustees; and to any other expenses that may be lawfully agreed upon. No Member may exempt himself from contributing toward such expenses by waiver of the use of enjoyment of the common elements or the community or recreational facilities of the Association or by abandonment of the unit owned by the Member.

4.04 Time of Payment. Payment by the Members of his share of the aforesaid expenses shall be made in the amount from time to time fixed by the Trustees, to the Treasurer of the Association at the principal office of the Association or such other place as shall be designated by the Trustees.

4.05 Lien. All such charges and expenses chargeable to a Member and the Members dwelling unit shall constitute a lien against the said unit in favor of the Association for the use and benefit of the Members of the Association prior to all other liens except (1) assessments, liens and charges for taxes past due and unpaid on the unit, and (2) payments due under mortgage instruments of encumbrance, if any, duly recorded. The said lien may be recorded in accordance with the provisions of N.J.S.A. 46:8B-21 and be foreclosed in the manner provided for the foreclosure and sale of real estate mortgages and in the event of foreclosure, the Association shall, in addition to the amount due, be entitled to recover reasonable expenses of the action including court costs and reasonable attorney's fees. The right of the Association to foreclose the lien aforesaid shall be in addition to any other remedy which may be available to it at law for the collection of the charges and expenses including the right to proceed personally against any delinquent Member for the recovery of a personal judgment against the Member for the amount due, court costs and reasonable attorney's fees.

4.06 Acceleration. In the event a Member shall fail to pay any assessment levied against him and the Condominium unit owned by him for the maintenance of the common elements of the Condominium for the expenses of administering, maintaining and operating the community and recreational facilities of the Association, any fine levied against him, or any other expense lawfully agreed upon, then the total amount of any annual assessments chargeable to such unit owner remaining unpaid, regardless of whether the installments for the balance of the year are not yet due, shall immediately be declared due and payable in full, and within ten (10) days after the same shall become due and payable, the Association shall be entitled to record and/or foreclose the lien referred to in the preceding Section.

4.07 Priority of Assessment. Upon the sale, conveyance or other lawful transfer of title to a unit, all unpaid assessments against a Member for his pro-rata share of the expenses of administration, maintenance and repair of the common elements and the community and recreational facilities of the Association and all fines levied against a Member and other expenses agreed upon, shall first be paid out of the sales price or by the acquirer in preference over any other assessments or charges of whatever nature except the following:

(a) Assessments, liens and charges for taxes past due and unpaid on the dwelling unit; and,

(b) Payments due under mortgage instruments of encumbrance, if any, duly recorded.

4.08 Liability of Acquirer of Unit. The acquirer of a Condominium unit shall be jointly and severally liable with the seller for the amounts due and owing by the latter to the Association up to the time of the conveyance or transfer, without prejudice to the acquirer's right to recover from the seller the amount paid by the acquirer as such joint debtor. The Association shall provide for the issuance, and issue to every acquirer, upon his request, a statement of such amounts due by the seller and the acquirer's liability under this Section shall be limited to the amount as set forth in said statement.

4.09 Use of Units. All units shall be utilized for residential purposes only. A Member shall not make structural modifications without the written consent of the Trustees. Unit owners shall not cause or permit anything to be hung or displayed or placed on the outside walls, doors or windows of any building without the written consent of the Board of Trustees of the Condominium Association. A Member shall not store anything including but not limited to bicycles, wood, grills or garbage cans on the Limited Common or Common Elements including but not limited to porches, patios and sidewalks without the prior written 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, window fan, heat pump, device in any window, door or other exterior opening of a dwelling unit.

Nothing shall be done or kept in any unit or common elements which shall 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 would be in violation of any law. No waste will be committed in any of the common elements. No recreational vehicles (campers, house-trailers, motor homes, etc.) or commercial vehicles will be allowed to park overnight without prior written approval by the Board of Trustees, or the designated representative of the Board for this purpose. When such permission is granted, the vehicles must be parked in the predesignated area and cannot be used as living quarter. "Commercial vehicles" shall refer to pick-up trucks, vans, trucks, tractors, trailers, wagons, vans or oversized vehicles having commercial license plates or any vehicle, motorized, non-motorized, used for commercial purposes.

4.10 Access to Units. The Association shall have the irrevocable right to be exercised by the Trustees or Manager of the Association, or any duly authorized agent, to have access to each dwelling unit from time to time during reasonable hours, and upon reasonable notice except in case of emergency, as may be needed for the maintenance, repair or replacement of any of the common elements therein or accessible therefrom or for making emergency repairs therein necessary to prevent damage to the common elements or to another dwelling unit or units.

4.11 Compliance with Rules. Each Member shall comply strictly with these By Laws and with the Administrative Rules and Regulations adopted pursuant thereto, as either of the same may be lawfully amended from time to time and with the covenants, conditions and restrictions set forth in the Master Deed, and in the deed to his unit. Failure to comply with any of the same shall be grounds for a civil action to recover sums due, for damages or injunctive relief, for levying a fine for violation of the Rules and Regulations, plus court costs and reasonable attorney's fees; maintainable by the Association on behalf of the Members, or in a proper case, by an aggrieved Member. The Board of Trustees, pursuant to the By-Laws, shall adopt Rules and Regulations which shall be in addition to and supplement to restrictions on the owner's use of the Common Elements and as long as such Rules and Regulations are consistent with the intent and purposes set forth herein, such Rules and Regulations shall be deemed not to be Amendments.

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

4.13 Contribution to Capital. The Board may impose upon each Unit Owner, upon acquisition of title to his Unit, to be collected by Sponsor or the Association if a sale of a unit from a person other than Sponsor, a nonrefundable contribution to the capital of the Association in an amount to be determined by the Board, but not to exceed \$250.00. If imposed, payment of such fee shall be a condition precedent to membership in the Association. Any unpaid membership fee shall be deemed a lien on the Unit in the same manner as any unpaid Common Expenses attributable to such Unit.

5.00 Board of Trustees

5.01 Number and Qualifications. The affairs of the Association shall be governed by a Board of Trustees consisting of seven (7) persons, each of whom shall be either a Member of the Association or an officer, director, employee or designee of the Sponsor. So long as the Sponsor maintains a majority of the Board of Trustees it shall make no additions, alterations, improvements or purchases which would necessitate a special assessment or a substantial increase in the monthly assessment unless so required by a governmental agency, title insurance company, mortgage lender or in the event of an emergency. 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. While the developer maintains a majority of the executive board, he shall have an annual audit of association funds prepared by an independent accountant, a copy of which shall be delivered to each unit owner within 90 days of the expiration of the fiscal year of the association. The audit shall cover the operating budget and reserve accounts. Nothing contained herein to the contrary shall serve to exculpate Members of the Board of Trustees appointed by the Sponsor from their fiduciary responsibilities.

5.02 Election. The Board of Trustees of Society Hill at Morris II Association shall be elected as follows:

- (a) Sixty days after conveyance of 25 percent (25%) of the lots, parcels, units or interest, ultimately to be constructed, not less than 25 percent (25%) of the Members of the Board of Trustees shall be elected by the owners;
- (b) Sixty (60) days after conveyance of 50 percent (50%) of the lots, parcels, units or interests, ultimately to be constructed, not less than 40 percent (40%) if the Members of the Board of Trustees shall be elected by the owners;
- (c) Sixty days after conveyance of 75 percent (75%) of the lots, parcels, units or interests, ultimately to be constructed, the Sponsor's control of the Board of Trustees shall terminate, at which time, the owners shall elect the entire Board of Trustees;
- (d) The terms of Trustees elected pursuant to this paragraph shall terminate on the first annual meeting of the Members when all Trustees are unit owners (See Section 5.03);

(e) Notwithstanding a, b, and c above, the Sponsor may retain one Member of the Board of Trustees so long as there are any units remaining unsold in the regular course of business;

(f) Sponsor 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 Sponsor retain control of the Board of Trustees later than December 1, 1992;

(g) The Association, when controlled by the owners, shall not take any action that would be detrimental to the sale or sales of a unit or units by the Sponsor and shall continue the same level of maintenance, operation and services as immediately prior to their assumption of control until the last unit is sold.

5.03 Term. At the first annual meeting of the Members of the Association, subsequent to all Members of the Board of Trustees being unit owners, two Trustees shall be elected to serve for a term of three (3) years, two shall be elected to serve for a term of two (2) years and the remaining three (3) Trustees shall be elected to serve for a term of one (1) year. At the expiration of the initial term of each Trustee, his successor shall be elected to serve for a term of three (3) years, provided that each Trustee shall continue to hold office until his successor is elected. Trustees shall serve without compensation.

5.04 Vacancies. If the office of any Trustee shall become vacant by reason of his death, resignation, retirement, disqualification, removal from office or otherwise, the remaining Trustees, at a special meeting duly called for such purposes, shall choose a successor, who shall hold office until the next annual meeting of the Members and his re-election or the election of his successor at such meeting. The person so elected shall serve for the unexpired term in respect to which such vacancy occurred. When a Member of the Board of Trustees, who has been elected by unit owners is removed or resigns that vacancy shall be filled by a unit owner.

5.05 Removal of Trustees. Trustees may be removed with or without cause, by the affirmative vote of two-thirds of the Members at any annual or special meeting of Members duly called for such purpose.

5.06 First Organizational Meeting. The first or organizational meeting of each newly elected Board of Trustees shall be held immediately upon adjournment of the meeting of Members at which they were elected and at the same place where the meeting of Members was held provided a quorum is present. If a quorum of the Board is not then present, such first or organizational meeting shall be held as soon thereafter as may be practicable providing notice is given to each trustee as set forth in Section 7 of this Article or unless waived as provided in Section 9 of this Article.

5.07 Regular Meetings. Regular meetings of the Board of Trustees may be held at such time and place permitted by law as from time to time may be determined by the Trustees, but at least four such meetings shall be held in each fiscal year. Notice of regular meetings of the Board shall be given to each Trustee personally, by telegram or by United States Mail, with postage prepaid, directed to him at his last known post office address as the same appears on the records of the Association, at least five days before the date appointed for such meeting. Such notice shall state the date, time and place of such meeting and the purpose thereof.

5.08 Special Meetings. Special meetings of the Board of Trustees may be called by the President of the Association on three days written notice to each Trustee, given in the same manner as provided in Section 7 of this Article. Special meetings of the Board shall be called by the President or the Secretary in like manner upon the written request of any two Trustees.

5.09 Notices and Waivers of Notice. Before any meeting of the Board of Trustees, whether regular or special, any Trustee may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the

giving of such notice. Attendance by a Trustee at any meeting of the Board shall likewise constitute a waiver by him of such notice. If all Trustees are present at any meeting of the Board, no notice of such meeting shall be required and any business may be transacted at such meeting except as otherwise prohibited by law or these By Laws.

5.10 Quorum. At all duly convened meetings of the Board of Trustees, a majority of the Trustees shall constitute a quorum for the transaction of business except as otherwise expressly provided in these By Laws or by law and the acts of the majority present, shall be the acts of the Board of Trustees. If at any meeting of the Board of Trustees there shall be less than a quorum present, the Trustee or Trustees present may adjourn the meeting from time to time, and at any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting as originally called may be transacted without further notice to any Trustee.

5.11 Powers & Duties. The Board of Trustees shall have and exercise all lawful powers and duties necessary for the proper conduct and administration of the affairs of the Association and the operation and maintenance of a residential condominium project and may do or cause to be done all such other lawful acts and things as are required by law, by these By Laws or otherwise directed or required to be done or exercised by Members of the Association or owners of units, or by others. In the performance of its duties as the administering body of the Association and of the Condominium being administered by said Association, the Board of Trustees shall have powers and duties, including, but not limited to, the following:

A. General Duties. The operation, maintenance, renewal, replacement, insurance, care, upkeep, protection and surveillance of the buildings in the condominium, the common elements (except as specifically provided for otherwise), the community and recreational facilities and all other property, real or personal, of the Association. The responsibility for the operation, maintenance, renewal, replacement, insurance, care, upkeep, protection and surveillance of the buildings in the condominium, the common elements (except as specifically provided for otherwise) shall become the responsibility of the Association immediately upon conveyance of title to the first unit in any building to an individual purchaser by the Sponsor. From and after the conveyance of title to the first unit in any building, the sole obligation and responsibility of the Sponsor under the Bylaws with regard to the operation, maintenance, renewal, replacement, insurance, care, upkeep, protection and surveillance of each such building shall be to pay to the Association the applicable assessments as specified in Article 9.00 of the Master Deed. Sponsor shall not, however, be obligated to pay any maintenance fees or assessments for common expenses other than replacement Reserves funds for so long as Sponsor is providing any subsidy or guarantee to unit owners of maintenance fees or assessments for common expenses. The Board of Trustees, pursuant to the By-Laws, shall adopt Rules and Regulations which shall be in addition to and supplement to restrictions on the owner's use of the Common Elements and as long as such Rules and Regulations are consistent with the intent and purposes set forth herein, such Rules and Regulations shall be deemed not to be Amendments.

B. Budget. The preparation prior to the beginning of each fiscal year of a budget or estimate for the annual expenses of the operation of the Association, the expenses of the operation of the community and recreational facilities, and reasonable reserves for depreciation, retirements and renewals. The total amount of such budget or estimate shall be assessed against all of the dwelling units and the respective owners thereof, as set forth in Section 13.00 herein. The amount thus found applicable to each dwelling unit shall be payable by the owner thereof to the Association in equal installments, in advance, said billing dates to be determined by the Trustees. The Trustees shall review each year the adequacy of the amount being assessed or the capital reserve replacement costs. In addition, the Trustees shall include in each annual budget an amount sufficient to reimburse each Trustee for the tuition cost for two educational seminars sponsored by the Community Associations Institute or similar organizations. Each Trustee may be reimbursed for all