or portion of expenses including but not limited to tuition, textbooks, transportation, gas, lodging and meals incurred by the Trustee in connection with attending such educational seminars provided that such reimbursement is approved by a majority of the Trustees. Trustees shall be encouraged to attend at least two such seminars during each year they serve as a Trustee.

C. Assessments. By majority vote of the Board, to adjust or increase the amount of any annual assessment and equal installments, and to levy and collect in addition thereto, special assessments in such amounts as the Board may deem proper, whenever the Board is of the opinion that it is necessary to do so in order to meet increased operating or maintenance costs, or additional capital expenses, or because of emergencies; provided, however, that all such increases or special assessments shall be made or levied against such owners and the units owned by them respectively, in the same manner as provided in Section 13.00.

D. Use of Funds. To use and expend any sums collected from such assessments or levies for the operation, maintenance, renewal, care, upkeep, surveillance and protection of the common elements, (except as specifically provided for otherwise), community and recreational facilities of the Association and all of its real and personal property. This includes the use of any surplus funds which might remain at the end of any fiscal year. Any such surplus shall be applied toward the immediate subsequent year's costs and shall be included in the budget for that year.

E. Fidelity Bonds. To require all officers and employees of the Association handling or responsible for funds in the Association's possession or under its control to furnish adequate fidelity bonds, in a form which includes penalties and corporate surety satisfactory to the Board of Trustees. The premiums on such bonds shall be paid by the Association as part of the common expenses.

F. Taxes. To pay all taxes and assessments levied or assessed against any property which has been made a part of the Condominium, exclusive of any taxes or assessments levied against any individual dwelling unit or otherwise properly chargeable to the owners thereof.

G. Personnel. To hire, employ and dismiss such clerks, stenographers, workmen, janitors, gardeners, watchmen and other personnel, and to purchase or arrange for such services, machinery, equipment, tools, materials and supplies, as in the opinion of the Board of Trustees may from time to time be necessary for the proper operation and maintenance of the Condominium, and the community and recreational facilities of the Association, except the portions thereof required to be maintained by owners of dwelling units. The Board of Trustees may also employ a manager or contract with a management company for the Association at such compensation or in such terms as may be established by the Board, to perform such duties and services as the Board may lawfully delegate.

H. Access to Units. To enter or cause to be entered any dwelling unit with Notice at a reasonable hour when deemed necessary for or in connection with the operation, maintenance, repair, renewal or protection of any common elements, or to prevent damage to the common elements or any dwelling units, or in emergencies provided that such entry and work shall be done with as little inconvenience as possible to the owners and occupants of such dwelling units. Each owner shall be deemed to have expressly granted such rights of entry by accepting and recording the deed to his Condominium Unit.

I. Delinquincies. To collect delinquent penalties, fines, levies or assessments made by the Association through the Board of Trustees against any dwelling units and the respective owners thereof, together with such costs and expenses incurred in connection therewith, including, but not limited to, court costs and attorney's fees, whether by suit or otherwise, to abate nuisances and enforce observance of the Rules and Regulations relating to the Condominiums, by injunction or such other legal actions or means as the Board of Trustees may deem necessary or appropriate.

J. Professionals. To employ or retain legal counsel, engineers and accountants, and to fix their compensation whenever such professional advice or services may be deemed necessary by the Board for any proper purposes of the Association, including, but not limited to, those hereinbefore or hereinafter referred to in these By Laws.

K. Contracts. To enter into any necessary contracts or agreements for the operation of the Corporation or the Condominium being administered by the Association including contracts for professional management, with private parties or any governmental agency or pursuant to applicable zoning ordinances of the Township.

L. Outside Management. To hire an outside agent and/or management firm to perform all duties and services required by these By Laws.

M. Bank Accounts. To cause such operating accounts, and escrow and other accounts, if any, to be established and opened as the Board of Trustees may deem appropriate from time to time and as may be consistent with good accounting practices.

N. Fiscal Reports. To cause a complete audit of the books and accounts of the Association to be made by an independent Certified Public Accountant at the end of each fiscal year, and at such other time or times as may be deemed necessary. The Board of Trustees shall also prepare, at the end of each fiscal year, a report of the business and affairs of the Association, showing its transactions and reflecting fully and accurately its financial conditions, which will be made available to Members during working hours upon reasonable notice. The Association, at least quarterly shall supply the Sponsor with unaudited financial status at no cost to the Sponsor until one year after the last unit closing, and thereafter annually supply to the Sponsor with a copy of the Associations annual report at no cost to Sponsor.

O. Detailed Books. To keep detailed books of accounts of the receipts and expenditures affecting the condominium and its administration and specifying the maintenance and repair expenses of the common elements and all other expenses incurred.

P. Fines. To make and enforce compliance, by the levying of fines or otherwise, with such Rules and Regulations relative to the operation, use and occupancy of the dwelling units, common elements and Association facilities, and to amend the same from time to time as the Board shall deem necessary or appropriate, which Rules and Regulations when approved by appropriate resolutions shall be binding on the owner and occupants of dwelling units, their successors in title and assigns. A copy of such Rules and Regulations and copies of any amendments thereof shall be delivered or mailed to each owner of a dwelling unit promptly upon the adoption thereof or posted in a conspicuous place in the Community Building.

Q. Insurance. To obtain and maintain, to the extent obtainable, in accordance with sound industry practice, the following insurance; (1) fire insurance with broad form fire and extended coverage, vandalism and malicious mischief endorsements, insuring all the buildings containing the units and common elements therein (including in all of the units, the fixtures, appliances and carpeting initially installed therein by the Sponsor, but not including the painted or decorated surfaces of interior walls, furniture, furnishings, personal property, contents or personal liability of individual unit owners) together with all central utility and other service machines contained therein, and all buildings, fixtures, equipment and personal property owned by the Association, in the amount determined by the Board. All such policies shall provide that in the event of loss or damage, the proceeds of said policy or policies shall be payable to the Board of Trustees or to its designee as an insurance trustee on behalf of all of the owners, co-owners and mortgagees of units in said buildings. Said insurance trustee shall be obligated to apply said proceeds as set forth in Section 6.00 of these By Laws. Each of said policies shall contain a standard mortgage clause in favor of each mortgagee of a unit and shall provide that loss, if any thereunder, shall be payable to such mortgagee as its respective interest may appear, subject however, to the right of the Board or its designee as insurance trustee, to receive said proceeds to be applied to repair or reconstruction as provided herein; (2) workmen's compensation; and (3) public liability insurance insuring the Association and its Members against liability for any negligent act of commission or omission attributable to the Association or any of its Members and which occurs on or in any of the common elements of the Condominium or the community or recreational facilities of the Association; (4) burglary, theft and such other insurance as will protect the interest of the Association and its employees; (5) liability insurance indemnifying the Trustees and Officers of the Association against the liability of errors and omissions occurring in connection with the performance of their duties in an amount of at least $1,000,000.00 with any deductible amount determined in the sole discretion of the Board of Trustees. All insurance premiums shall be paid by the Association as common expenses. Unless 75 percent of the first mortgagees (based upon one vote for each first mortgage owned) or owners (other than the developer) of the individual condominium units have given their prior written approval, the Board of Trustees shall not be entitled to (a) fail to maintain fire and extended coverage on insurable common property on a current replacement cost basis in an amount not less than 100 percent (100%) of the insurable value (based on current replacement cost) and (b) use hazard insurance proceeds for losses to any common property for other than the repair, replacement or reconstruction of such common property.

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

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

T. Committees. The Board of Trustees of the Association may appoint committees as deemed appropriate in carrying out its purposes, including but not limited to:

1. A Recreation Committee, which shall advise the Board of Trustees on all matters pertaining to the recreational program and activities of the Association and shall perform such other functions as the Board, in its discretion, may determine.

2. A Maintenance Committee, which shall advise the Board of Trustees on all matters pertaining to the maintenance, repair or improvement of the Common Area and properties, as appropriate, and shall perform such other functions as the Board, in its discretion, may determine.

3. An Audit Committee, which shall supervise the annual audit of the Association's books and approve the annual budget and statement, certified by an independent public accountant, of income and expenditures to be presented to the membership at its regular annual meeting. The Treasurer shall be an ex-officio Member of the Committee.

4. An Architectural Control Committee, which shall consider requests by Members for modifications to any common elements, and shall establish guidelines and procedures for review of such requests consistent with the Master Deed and these By Laws.

5. A Covenants Committee, consisting of five Members appointed by the Board, each to serve for a term of one year, in order to assure that the Condominium shall always be maintained in a manner:

(1) providing for visual harmony and soundness of repair;
(2) avoiding activities deleterious to the esthetic or property values of the Condominium;
(3) furthering the comfort of the Unit Owners, their guests, invitees and lessees; and
(4) promoting the general welfare and safety of the Condominium community.

The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common Elements in accordance with standards and guidelines contained in the Master Deed or By Laws or otherwise adopted by the Board. The Covenants Committee shall have the power to issue a cease and desist request to a Unit Owner, his guests, invitees, or lessees whose actions are inconsistent with the provisions of the Condominium Act, the Master Deed, By Laws, the Rules and Regulations or resolutions of the Board (upon petition of any Unit Owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Master Deed, Articles of Incorporation and By Laws, Rules and Regulations and resolutions pursuant to the intents, provisions and qualifications thereof when requested to do so by a Unit Owner or the Board. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Trustees by any Party deemed by the Board to have standing as an aggrieved party and a vote of a majority of the full authorized membership of the Board may modify or reverse any such action, ruling or decision.

The Covenants Committee shall have such additional duties, power and authority as the Board may from time to time provide by resolution including the right to impose fines pursuant to Section P hereof and Section 4.11. The Board may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case by case basis by vote of a majority of its full authorized membership thereof. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the Rules and Regulations or by resolution of the Board. Notwithstanding the foregoing, no action may be taken by the Covenants Committee without giving the Unit Owner(s) involved at least (10) days prior written notice and affording him the opportunity to be heard, with or without counsel, with respect to the violation(s) asserted.

U. Acceleration of Assessment Installment Upon Default. If a Unit Owner shall be in default in the payment of an installment upon a Common Expense assessment, the Board may accelerate the remaining installments of the assessment and file a lien for such accelerated amount upon notice to the Unit Owner, and if the delinquent installment is not paid by the date set forth in the notice, the then unpaid balance of the Common Expense assessment shall come due upon such date, but not less than five (5) days after delivery of the notice to the Unit Owner, or not less than ten (10) days after the mailing of such notice has been given and whichever shall first occur. If no such notice has been given and default continues, the Board shall, between thirty and ninety days after the default first occurs, accelerate the remaining installments of the assessment, upon similar notice to the Unit Owner, and file a lien for such accelerated assessment as permitted by law if the delinquent installment is not paid by the date set forth in this notice. In the event that such notice is filed, the Board may notify any Institutional Lender holding a mortgage which encumbers the Unit affected by such default or publish appropriate notice of such delinquency to the membership of the Association. If said default continues for a period of 120 days, then the Board shall foreclose the foregoing lien pursuant to law or commence a suit against the appropriate parties to collect said assessment.

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

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

Money judgments recovered by the Association in any action or proceeding brought hereunder, including costs, penalties or damages shall be deemed a special fund to be applied to (1) the payment of unpaid litigation expenses; (2) refunding to the Unit Owners the cost and expenses of litigation advanced by them; (3) Common Charges, if the recovery thereof was the purpose of the litigation; (4) repair or reconstruction of the Common Elements if recovery of damages to same was the motivation for litigation; and (5) any amount not applied to (1), (2), (3) and (4) above shall at the discretion of the Board be treated either as (i) common surplus which shall be allocated and distributed pursuant to the provisions of paragraph 6 of the Master Deed or as (ii) a setoff against Common Charges generally. Notwithstanding the foregoing, if a Unit Owner(s), the Board or any other person or legal entity affected by any such distribution, shall assert that the damages sustained or the diminution in value suffered by a Unit Owner(s) was disproportionate to his or their percentage of common interest, in which event, at the election of either the Association or the unit owner, the matter shall be submitted to binding arbitration to be decided in accordance with the procedures set forth by the American Arbitration Association.

All Common Charges received and to be received by the Board, for the purpose of paying any judgment obtained against the Association or the Board and the right to receive such funds, shall constitute trust funds which shall be expended first for such purposes before expending any part of the same for any other purpose.

In the event that a Unit Owner(s) succeeds in obtaining a judgment or order against the Association or the Board, then in addition to any other sums to which said Owner(s) would otherwise be entitled by such judgment or order, he or they shall also be entitled to the restitution or recovery of any sums paid to the Board as Common Charges for the lititgation expenses in relation to said action or proceeding.

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

X. Parking Spaces. To assign and designate certain parking spaces for the use of individual units and to reassign and redesignate such parking spaces as the Board deems necessary in its sole discretion. To adopt rules and regulations governing the use of all parking spaces, including the type, size and classification of vehicles permitted to use any space as well as the total number of vehicles which may be parked on the common elements on a permanent basis per unit.

6.00 Damage to Buildings, Reconstruction, Sale: Obsolescence.

6.01 Damage. In the event of fire or other disaster or casualty resulting in damage to the buildings and/or common elements of the

Condominium amounting to less than two-thirds of the value of the Condominium, the net proceeds of any insurance collected shall be made available for the purposes of repair, restoration, reconstruction or replacement. Where the insurance indemnity is insufficient to cover the cost of repair, reconstruction, restoration or replacement, the new buildings' costs shall be paid by all of the owners directly affected by the damage, in proportion to the fair market value of their respective dwelling units. If any owner shall refuse to make such payments, the Board of Trustees shall levy an assessment in an amount proportionate to the fair market value of the dwelling units affected by the damage, the proceeds of such assessment being paid, with the insurance indemnity, to the Association for the purpose of covering the costs of repair and replacement. In the event any owner or owners shall fail to respond to the assessment by payment thereof within a reasonable time, the Association shall have authority to cause such repair, restoration or replacement or reconstruction to be accomplished and to charge the cost thereof, less any applicable insurance credits, to the owners of the units affected in the proportions mentioned. Such costs less any insurance credits, shall constitute a lien against the dwelling unit of such owner and may be enforced and collected in the same manner as all other liens as hereinbefore provided. The provisions of this Section may be changed by unanimous resolution of the parties concerned, adopted subsequent to the date on which the fire or other disaster or casualty occurred.

6.02 Total Destruction. In the event of a total destruction of the entire Condominium, or if the common elements are damaged or destroyed to more than two-thirds of the value of Condominium, the unit owners directly affected, may elect to reconstruct or replace the said buildings and common elements. In the event of an election to reconstruct or replace, payment of the costs thereof shall be made as provided in the preceding Section of this Article.

If the unit owners elect not to reconstruct or replace, the unit owners of the said condominium, with the consent of all of the mortgagees holding first mortgages on the dwelling units, and the consent of the Borough of Lincoln Park may sell for cash and upon terms, the entire Condominium, provided 75 percent (75%) or more of the owners are in accord and so vote at a special or regular meeting of the said unit owners. In the event that a decision not to reconstruct or replace is made, the Condominium Association shall advise the State of New Jersey, Department of the Public Advocate of such decision. Failure of the Public Advocate to reply within 60 days shall constitute a consent to such decision. In the event the election is made to sell, the convenants against partition contained in the Declaration of Restrictive and Protective Covenants, shall become null and void and said owner or owners shall be entitled to convey their interest in the Condominium and may invoke relief in a Court of Chancery to compel such a sale and partition against those owners who shall have refused to approve such a sale and partition.

All sums received from insurance shall be combined with the proceeds of sale of the Condominium. After providing for all attorney's fees in the event of any litigation necessary to compel any owner or owners to join in a conveyance of their interests in the Condominium, distribution of the combined funds shall be made to the owner or owners of the dwelling units in the said Condominium, in proportion to the fair market value of their respective dwelling units, subject only to the rights of outstanding mortgage holders.

Except as provided in this section, the common elements, both general and limited, shall remain undivided and shall not be the subject of an action for partition or division of the co-ownership.

6.03 Obsolescence. In the event the Board of Trustees shall determine that the existing buildings in the Condominium are obsolete, the Board, at any regular or special meeting of the unit owners, may call for a vote by the said unit owners to determine whether or not the entire Condominium should be placed on the market and sold. In the event 90 percent (90%) of the unit owners determine that the property should be sold, the applicable provisions of the preceding Section pertaining to sale of the property shall become effective.

In the event that the Board of Trustees shall determine that any of the community and recreational facilities and any other real or personal property of the Association are obsolete, the Board, at any regular or special meeting of the Members, may call for a vote by the Members to determine whether or not the said property should be demolished and replaced. In the event ninety (90) percent of the Members shall determine that the said property should be demolished and replaced, the costs thereof shall be assessed against all of the Members of the Association in accordance with Article 13 hereof.

7.00 Officers

7.01 Designation. The officers of the Association shall be President, Vice President, Secretary and Treasurer. The Secretary may be eligible to also hold the office of Treasurer. The President shall also be a Member of the Board of Trustees. The Board of Trustees may also appoint Assistant Secretaries and Assistant Treasurers as it may deem necessary.

7.02 Election of Officers. The officers of the Association shall be elected annually by the Board of Trustees at the organizational meeting of each new Board and shall hold office until their successors are elected or appointed by the Board and qualify, provided that each officer shall hold office at the pleasure of the Board of Trustees and may be removed either with or without cause and his successor elected at any annual or special meeting of the Board called for such purpose, upon the affirmative vote of a majority of the Members of the Board.

7.03 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Members and of the Board of Trustees. He shall have the general power and duties usually vested in the office of President of an Association, including, but not limited to, the power to appoint committees from among the Members from time to time as he may deem appropriate to assist in the conduct of the affairs of the Association. He shall execute such deeds, contracts and other instruments, in the name and on behalf of the Association and under its corporate seal when a seal is required, except when such documents are required or permitted by law to be otherwise executed and except when the signing and executing thereof shall be delegated by the Board of Trustees to another officer or agent of the Association.

7.04 Vice-President. The Vice President shall perform all of the duties of the President in his absence, and such other duties as may be required of him from time to time by the Board of Trustees.

7.05 Secretary. The Secretary shall attend all meetings of the Board of Trustees and all meetings of the Members and record all votes and the minutes of all meetings and proceedings, including resolutions, in a minute book to be kept for that purpose and shall perform like duties for any committees when required. He shall have charge of the minute books and such records and papers as the Board shall direct and perform all duties incident to the office of Secretary, including the sending of notices of meetings to the Members, the Board of Trustees and committees and such other duties as may be prescribed by the By Laws or by the Board of Trustees or the President. He shall also have custody of the corporate seal and when authorized by the Board, affix the same to any instrument requiring it and attest the same when appropriate.

7.06 Treasurer. The Treasurer shall have responsibility for the Association's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association and shall deposit all monies, checks and other valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Trustees. He shall disburse the funds of the Association as may from time to time be ordered by the Board, making proper vouchers for such disbursements and shall render to the President and Trustees, at the regular meetings of the Board or whenever they or either of them shall require, and account of his transactions as Treasurer and of the financial conditions of the Association.

7.07 Compensation of Officers. The officers of the Association shall serve without compensation except that they shall be entitled to reimbursements for all expenses reasonably incurred in the discharge of their duties.

8.00 Indemnification of Officers and Directors. The Association shall indemnify every Trustee and Officer, his heirs, executors and administrators, against all loss, costs and expenses, including counsel fees, reasonably incurred by him in connection with any action, suit or proceeding to which he may be made a party by reason of his being or having been a Trustee or officer of the Association, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified had not been guilty of gross negligence or willful misconduct in the performance of his duty as such Trustee or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such Trustee or officer may be entitled. All liability, loss, damage, cost and expense incurred or suffered by the Association by reason of or arising out of or in connection with the foregoing indemnification provisions shall be treated by the Association as common expenses, provided, however, that nothing contained in this Article shall be deemed to obligate the Association to indemnify any Member or owner of a dwelling unit who is or has been a trustee or officer of the Association or as a Member or owner of a dwelling unit in the Condominium. Nothing contained herein to the contrary shall serve to exculpate Members of the Board of Trustees appointed by Sponsor from their fiduciary responsibilities.

9.00 Fiscal Year. The fiscal year of the Association shall begin on the first day of January in each year, unless changed by a vote of two-thirds (2/3) of the full membership of the Board of Trustees.

10.00 Corporate Seal. The corporate seal of the Association shall consist of two concentric circles between the circumferences of which shall be inscribed the name of the Association and within the circumferences of the inner circle the words "Incorporated, New Jersey" and the year of incorporation.

11.00 Amendments to Bylaws. These By Laws and the form of administration set forth herein may be amended from time to time by the affirmative vote of 75 percent (75%) of the total number of votes of Members in the Association, within the limitations prescribed by law. No such modification shall be operative until it is embodied in a recorded instrument which shall be recorded in the Office of the Clerk of Morris County in the same manner as the Master Deed and original By Laws.

12.00 Dissolution.

12.01 Procedure. In the event it is deemed advisable and for the benefit of the Members of the Association that the Association should be dissolved, the procedures concerning dissolution set forth in Chapter 1, Section 20, of Title 15 of the Revised Statutes of the State of New Jersey, entitled Corporations and Associations Not for Profit shall be followed.

12.02 Distribution of Assets. In the event of dissolution, the assets of the Association, after the payment of all debts including mortgages and other encumbrances, shall be distributed to the unit owners in proportion to the fair market value of their respective dwelling units.

13.00 Members Maintenance Fees. Maintenance costs for the Association and the condominium owned lands and facilities shall be computed on the basis of each unit owner paying 1/24th of the total operating budget of the Association. Should the actual number of units constructed differ from 24, the maintenance costs payment for each unit owner will be determined by a fraction, the numerator of which is 1, and the denominator of which is the actual number of units constructed multiplied by the total operating budget of the Association. However, these amounts shall be adjusted to reflect that owners of Affordable Condominiums pay 40% of the amount paid by owners of Market Units. The budget shall provide the complete allocation of the total assessment collected from the unit owners without any unallocated surplus remaining.

14.00 Deposits Required.

Upon conveyance of a dwelling unit by Sponsor to an initial purchaser of said dwelling unit, said dwelling unit owner shall deposit with the Association three (3) months estimated monthly Association assessments.

The aforesaid deposits shall be refunded to the unit owner (less any assessments currently owed) upon resale of the dwelling unit by him, upon the condition that a deposit in an amount equal to three (3) months current monthly Association assessments (excluding any assessments currently owed) is received from the purchaser of the particular dwelling unit. In the event said deposits are not received by the Association within thirty (30) days from the date of closing of title to such resale, the initial deposits shall be deemed credited to the account of the new owner. Nothing herein shall affect any unit owners obligation for the payment of any Association assessments, charges or liens. The Association shall place all such deposits in interest bearing accounts and the interest so earned shall be considered income available for general operating purposes of the Association.

15.00 Reserves. The Board shall not be obligated to expend all of the revenues in any accounting period, and must, by regular installment maintenance payment, rather than by special assessments, maintain reasonable and adequate reserves for, among other things, maintenance, repairs and replacement of those elements of the common property that must be replaced on a periodic basis, emergencies, contingencies for bad weather or uncollected accounts. Notwithstanding anything herein to the contrary, the Board, in its determination of the Common Expenses and the preparation of a budget, shall specifically designate and identify what portion of the Common Expenses to be assessed against the unit owners is allocable to reserves for each separate item of repair and improvements and the same shall be kept in interest bearing savings accounts appropriately earmarked for each category. Interest earned on such interest bearing accounts shall remain allocable to such reserves and shall not be available for general purposes of the Association. The foregoing shall not be construed to mean that the Board shall not be permitted to keep additional cash on hand, in a checking or petty cash account, for the necessary discharge of functions. The Board shall at the time of adoption of the budget for the ensuing year evaluate the adequacy of the Reserves and adopt a resolution stating that the reserves are sufficient for the purposes set forth in this Article.

16.00 Maintenance Program for Stormwater Runoff Management Facilities. The stormwater management facilities shall be maintained and operated by the Association in accordance with the "Maintenance Program for Stormwater Runoff Management Facilities/Society Hill at Morris II", by Najarian and Associates, Inc. dated September 19, 1985, which program is annexed hereto at Exhibit 1. The Association shall be required to provide a line item in the condominium budget for detention basin maintenance as well as a capital reserve item for replacement of pond equipment and a separate reserve item for de-silting the ponds when needed. The aerator in the detention pond shall be kept running during periods when dissolved oxygen levels could be suppressed. The aerator shall be promptly repaired or replaced in the event of a breakdown.

In addition, there shall be no direct application of pesticides, herbicides or algicides into the detention basin except as required to be in compliance with the requirements of appropriate governmental agencies. There shall be no direct application of pesticides, herbicides or algicides in that area of the development south of the retaining walls in the southern section of the development.

17.00 Agreement for Professional Management. Any agreement for professional management of the Association, or any other contract providing for services of the Sponsor, may not exceed one (1) year. Any such agreement must provide for termination by either party (a) without cause and without payment of a termination fee on ninety (90) days or less written notice and (b) for cause upon thirty (30) days written notice.

18.00 Reservation of Amendment Rights. Regardless of any other provision of the By Laws, the Sponsor specifically reserves the right, at any time as long as the Sponsor retains title to any property thereunder, to amend the within By Laws of Society Hill at Morris II Condominium Association, Inc., 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 on the secondary mortgage market so as long as such Amendment does not conflict with the New Jersey Condominium Act (N.J.S.A. 46:8B-1 et. seq.) or other applicable laws, regulations and statutes. Such amendment shall not require the approval of the unit owners. All costs associated with obtaining such approval 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 Article. Sponsor has been constituted, appointed and confirmed named 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 of validity of any lien on or the value of any unit) by virtue of paragraph 13.00 of the Master Deed.

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. The Sponsor shall not be permitted to cast any votes held by him for unsold lots, parcels, units or interest 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 for all unsold units which have been submitted by Sponsor to the Condominium even prior to such units being issued a Certificate of Occupancy on all other matters.

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3.00	Meetings of Members:Voting	5.08	Special Meetings
3.01	Place of Meeting	5.09	Notices and Waivers of Meetings
3.02	Annual Meetings	5.10	Quorum
3.03	Notice of Annual Meetings	5.11	Powers & Duties
3.04	Special Meetings	6.00	Damage to Buildings, Reconstruction, Sale Obsolescene
3.05	Notice of Special Meetings	6.01	Damage
3.06	List of Members	6.02	Total Destruction
3.07	Voting	6.03	Obsolescence
3.08	Good Standing	7.00	Officers
3.09	Quorum	7.01	Designation
3.10	Proxies	7.02	Election of Officers
3.11	Capital Expenditures	7.03	President
3.12	Order of Business	7.04	Vice-President
4.00	Obligations of Members	7.05	Secretary
4.01	Unit Maintenance	7.06	Treasurer
4.02	Negligence	7.07	Compensation of Officers
4.03	Common Expense	8.00	Indemnification of Officers and Directors
4.04	Time of Payment	9.00	Fiscal Year
4.05	Lien	10.00	Corporate Seal
4.06	Acceleration	11.00	Amendments to Bylaws
4.07	Priority of Assessment	12.00	Dissolution
4.08	Liability of Acquirer of Unit	12.01	Procedure
4.09	Use of Units	12.02	Distribution of Assets
4.10	Access to Units	13.00	Members Maintenance Fees
4.11	Compliance with Rules	14.00	Deposits Required
4.12	Suspension of Rights	15.00	Reserves
4.13	Contribution to Capital	16.00	Maintenance Program for Stormwater Management Facilities
5.00	Board of Trustees	17.00	Agreement for Professional Management
5.01	Number and Qualifications	18.00	Reservation of Amendment Rights

Najarian & Associates, Inc.

Land Development, Hydraulic,
Environmental Engineers & Planners
One Industrial Way West • Eatontown, N.J. 07724
Telephone: (201) 389-0220

19 September, 1985

Maintenance Program
for
Stormwater Runoff Management Facilities

SOCIETY HILL AT MORRIS II

INTRODUCTION

The drainage and management of stormwater runoff from Society Hill at Morris II development is based on the detention of excess runoff in two basins as shown on the detailed drainage plans prepared by Najarian & Associates, Inc. (Sheets 8 and 9 of 25 dated 7/5/85). The site plans show the two basins receiving runoff discharges from two separate storm sewer networks. These basins also receive non-point runoff flows through back yard swales and sodded open areas.

The basin situated in the northern portion of the site is designed to serve as a wet basin. This basin drains the majority of the site. The second basin shown in the southern extremity of the site is designed to be a dry basin. The latter basin is situated in the 100-year flood plain and it drains a relatively smaller portion of the site. The discharge from this second basin is directed to an existing pond. The discharge of the first basin is directed, through a grass swale with minimum rip-rap, to an existing unnamed stream.

The entire site is a sub-basin in the Piece Meadows of the Passaic River Basin.

The primary objective of these detention basins is to attenuate the peaks of storm runoff hydrographs such that maximum flows leaving the site remain the same under pre- and post-development conditions. A detailed calculation of the desired detention basin capacities on the site are given elsewhere (see Najarian & Associates, Inc. report on Stormwater Management and Drainage calculations dated 9/20/84).

The second objective of detention facilities is to reduce the discharge of pollutants from the development into the receiving streams. This objective is achieved by providing sufficient retention time in the basins to facilitate the settling of particulate pollutants attached to sediments. In case of the wet basin, the pollutant removal efficiencies are further enhanced by virtue of the fact that the basin provides a longer retention time for runoff flows resulting from frequent storms. Wet detention basins also provide dilution water to reduce the concentration of pollutants in storm runoff resulting from more severe storms. The dry basin situated in the southerly portion of the site is designed with adequate capacities to provide for a retention period of at least eighteen hours. This feature will enhance the settling of most of the particulate pollutants in the basin before discharging into the existing pond. In case of the dry basin, the removal of pollutants is further assured by the existence of the natural pond as a recipient of the dry detention basin flows.

The third use of the detention basins is to create aesthetically pleasing environment to be enjoyed by everyone in the community. Such basins, properly managed, will generate a new habitat for different avian species indigenous to northern New Jersey environs.

Pollutant loadings to the wet detention basin in Society Hill at Morris II are minimized through the process of stabilizing grades on the site and sodding virtually all open space. As a result, it is expected that runoff from the impervious areas, which first flow over grass swales before reaching the basin, will have little or no particulate pollutants. The small amount of sediment which could be accumulated on roadways can be removed through street cleaning. Therefore, a very small portion of particulate pollutants are washed-off to the detention basins.

Of the dissolved pollutants the most important ones are the nutrients resulting from the fertilizer application on the grassed areas and some heavy metals resulting from the vehicular activity on the roadways. Whereas the concentrations of the latter pollutants in stormwater runoff remains at almost undetectable levels, nutrient concentrations could be quite high depending on the fertilizer application practices by the Homeowners' Association in the development. The abundance of nutrients in wet detention basins may enhance the proliferation of sporadic nuisance algal blooms which cause aesthetic problems.

Maintenance of detention basins is essential for both preservation of its aesthetic value to the community and its function as stormwater runoff discharge control. The maintenance of detention basins includes measures to be taken both within and outside the domain of the basins. The following sections describe the recommended maintenance practices which have been successfully used in similar developments.

MAINTENANCE OF STORM SEWER SYSTEM

Stormwater runoff is routed to the basins through a network of pipes, culverts and catch basins (manholes). Particulate pollutants in the form of sediments are usually accumulated in these facilities as a result of low flow velocities during more frequent storms. The maintenance of these facilities serve two purposes. First, by cleaning storm sewer networks on a development site, the efficient operation of the system is ensured. The accumulation of silt and debris at the inlets, in the manholes and in the pipes will reduce the flow carrying capacities of the system. Second, as a first defense against the pollutant accumulation in the detention basins, the removal of such pollutants from the storm sewer network through regular maintenance will ensure that a reduced mass of pollutants and sediments will arrive to the detention basins.

The maintenance of storm sewer system in a residential development should include the following:

1. Once a year, inspection of all culverts and headwalls for their structural integrity. If found deficient, these structures must be repaired.

2. Twice a year, thorough cleaning of the entrances to culverts and removal of all debris from these facilities. This procedure should be repeated more often in years when major storms occur frequently.

3. Once a year, all culverts and sediment traps must be checked for excessive accumulation of silt. Mechanical cleaning of culverts and

inlets is recommended when sediment accumulation of 4 inches or more have occurred in these facilities.

4. All storm sewers must be inspected once a year to ensure that no excessive amount of debris, leaves, twigs and sediment are accumulated. In the event that such accumulations have been detected it is recommended that, wherever possible, mechanical cleaning procedures be followed to remove the debris and transport it to an approved dump site.

MAINTENANCE OF DETENTION BASINS

The extent of maintenance required for detention basins is dependent on the degree of maintenance of the stormwater runoff collection systems on the site. The removal of silt and debris from inlets, culverts and stormwater sewers will ensure the reduction of pollutant discharges from the development into the detention basins. Two objectives should be served through the maintenance of the detention basins. First, the basins and their peripheral facilities such as inlets and outlet structures should be regularly inspected to ensure the proper functioning of the systems as stormwater storage facilities. This process will ensure that the basins will serve their intended purposes at all times under different design storm conditions. Second, the maintenance of detention basins should consider the public health and aesthetic aspects of such facilities.

The following procedures should be considered for the management of detention facilities at Society Hill at Morris II development:

1. Inlet and outlet structures to the basins should be inspected and cleaned after each major storm. Storms of 10 or more years of recurrence interval are considered as major storms. In case such storms do not occur over a period of two years, it is recommended that these peripheral facilities be inspected and cleaned at least once every two years.

2. The bank area to these basins, including side slopes, should be well maintained. This areas should be mowed at the same frequencies as the other common grounds maintained by the Homeowners' Association. A concerted effort must be made by the Association to ensure that social activities in these areas be limited to passive recreation. These areas should not be used as picnic grounds. In case of the dry basin, the grassed area within the basin should also be mowed regularly and grass clippings removed from the basin.

3. During the growing seasons, visual inspection of the water line around the wet basin should be carried out to remove all undesirable weed species which may enhance mosquito breeding. A methodic approach to this problem may help eliminate the use of chemicals for control of mosquito population in the development.

4. During seasons of high algal blooms, early Spring and mid Fall, the water quality of the wet basin should be monitored and chlorophyll concentrations be analyzed. At concentration levels of higher than 30 ug/l it is recommended that the basin be treated with controlled

doses of copper sulfate, an effective algicide. This will ensure the maintenance of healthy ecosystem and elevated dissolved oxygen concentrations in the wet basin.

5. Maintenance of the mechanical aerator in the wet basin should be followed. During warm weather conditions, the aerator should be kept operating during periods when DO concentrations are expected to be at their minimum levels.

6. In those instances, when noticable algal mats and excessive growth of macrophytes occur in the wet basin, these mats and the undesirable species of macrophytes must be removed mechanically. This procedure will not become necessary if the maintenance programs for storm sewers and the wet detention basin are properly followed.

7. To maintain the design capacity of the detention basins, it will be necessary to remove excessive silt from the basin bottoms. The design capacity of the detention basins are arrived at using a safety factor which is inherent in the selection of design storm. Therefore, it is not anticipated that the siltation of the basins will become a common problem needing frequent attention. However, it is recommended that once every four years, the bottom profiles of the basins be inspected to assess the rate of accumulation of sediments in the basins. In the event that such accumulations exceed a foot then, it is further recommended that the basins be dredged back to their normal design depths. Here again, the proper maintenance of

5300 (Barrier Free): Units 6A1; 6B1; 6C1; 6D1; 9D1; 9E1; 9F1; 9G1; 10A1; 10B1; 10C1; 10H1

2 Bedroom
2 Bath
1108 Square Ft.

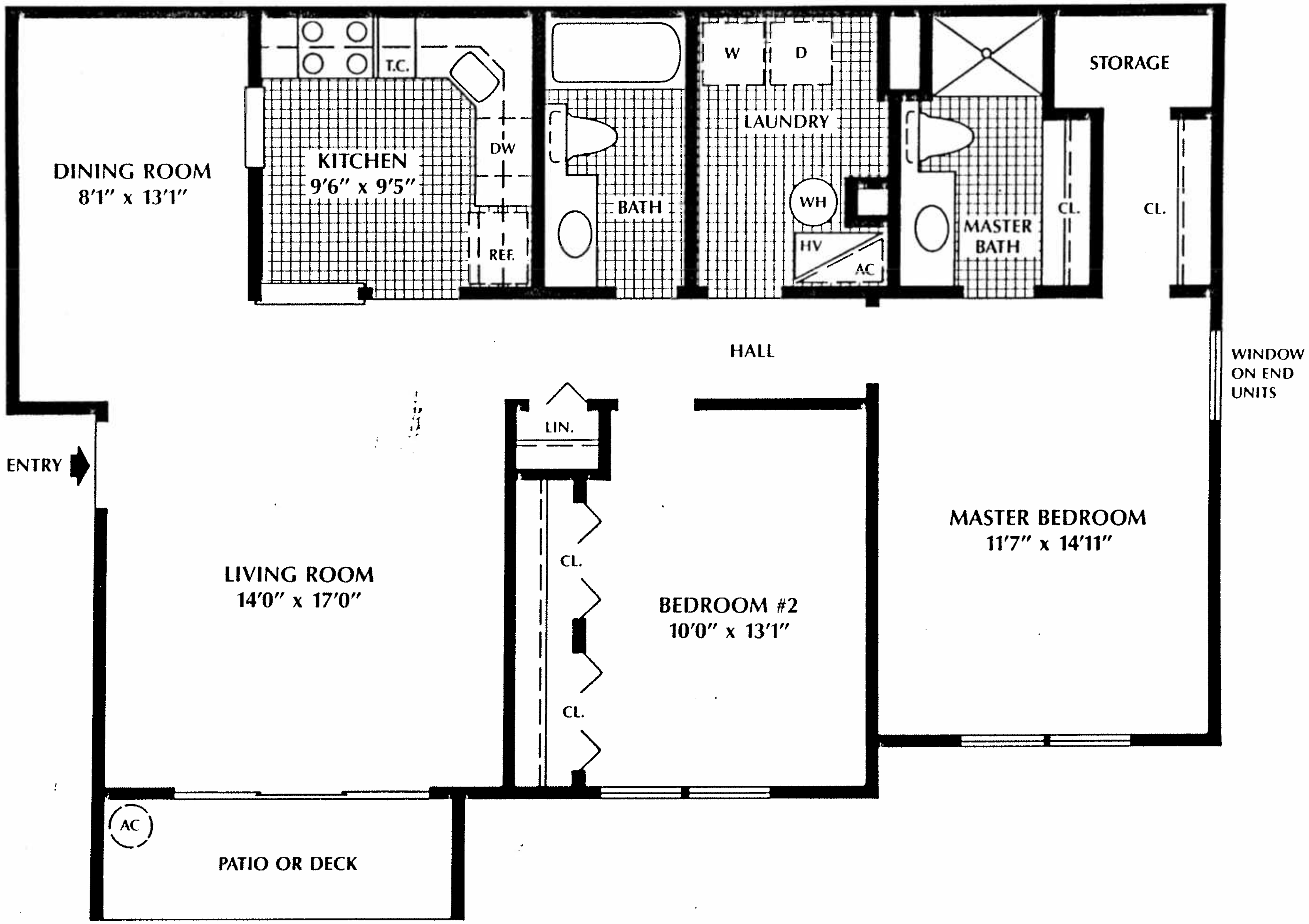

EXHIBIT "G-1a"
126a

5302
2 Bedroom
1 Bath
886 Square Ft.

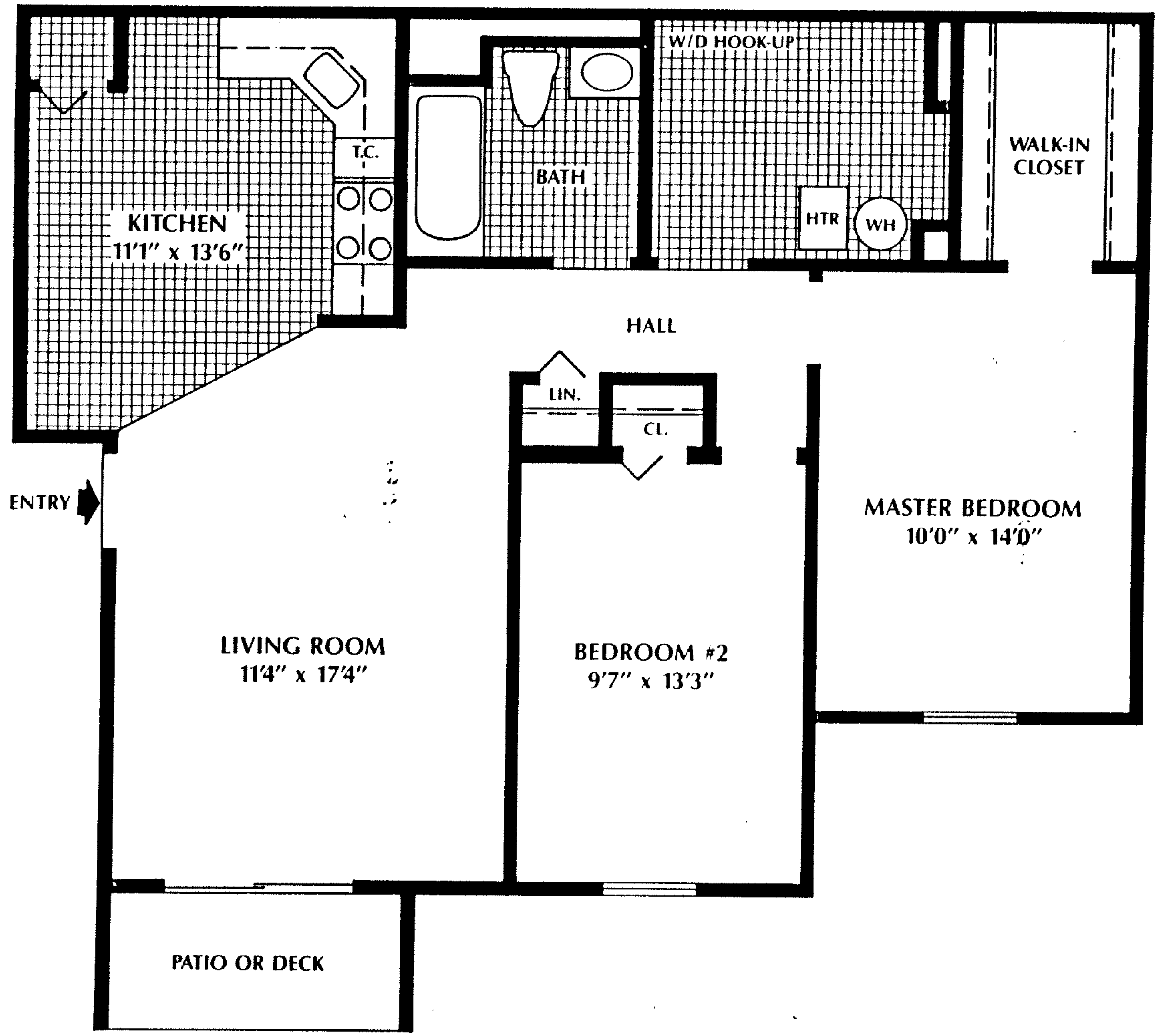

EXHIBIT "G-2"
127

5303

3 Bedroom
1 Bath
922 Square Ft.

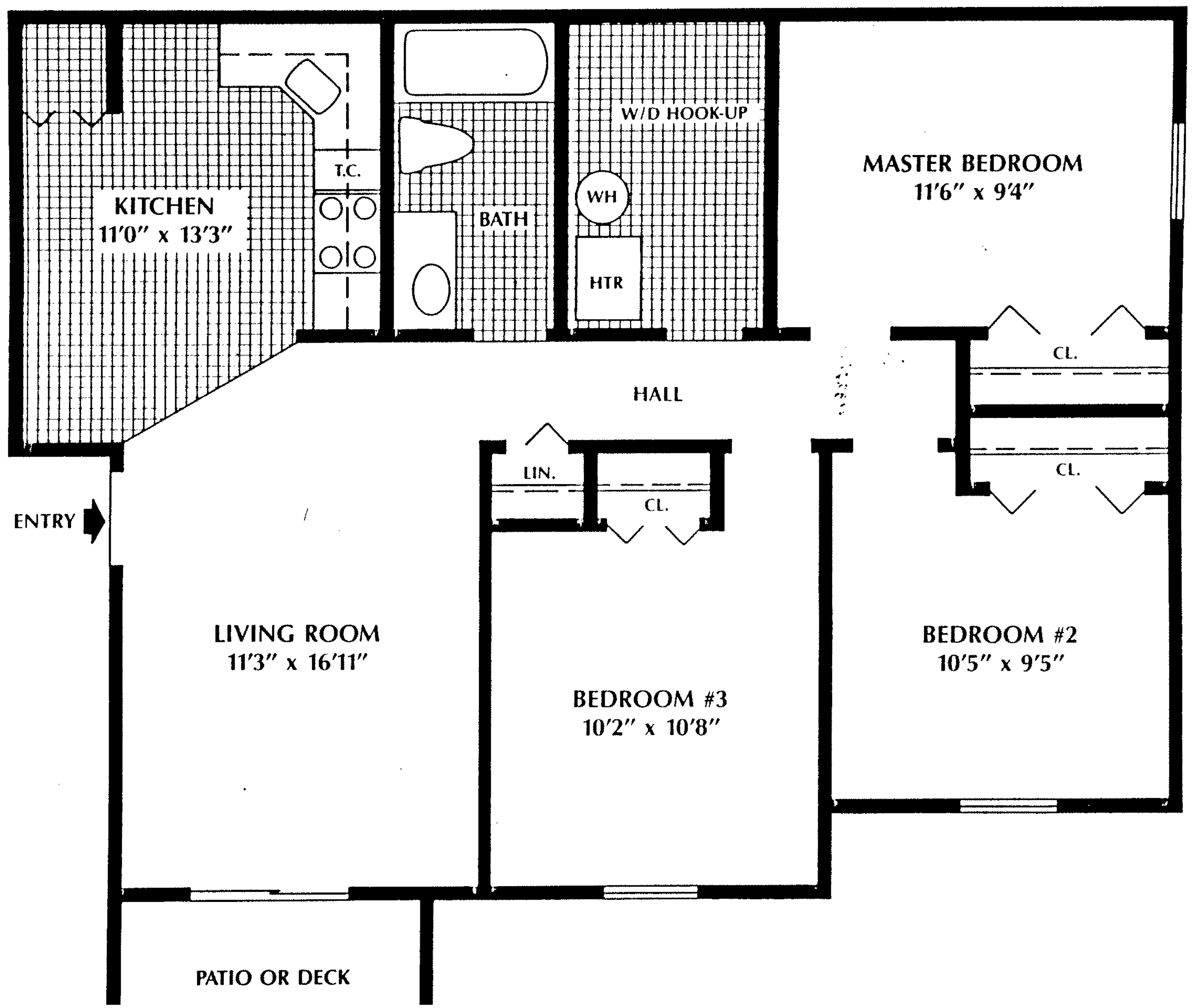

EXHIBIT "G-3"
128

METES AND BOUNDS DESCRIPTION

South part of Lot 5 Block 136
South of Stream Encroachment Line

Beginning at a point, said point being the southwest corner of Lot 5, Block 136, and said point being the easterly line of Lot 3 and the northely line of Lot 4 of Block 136, as shown on a map entitled "Boundary Survey, Tax Map, Lots 5 & 8, Block 136, Borough of Lincoln Park, Morris County, New Jersey" dated August 27, 1984 prepared by Donald W. Smith Associates, and as shown on the Tax Maps of the Borough of Lincoln Park, thence:

1. NORTH 16° -57'-30" EAST 464.00 Feet along the common line of LOT 5 and LOT 3 of BLOCK 136 to a point; thence
2. SOUTH 80° -48'-30" East 458.85 Feet through LOT 5, BLOCK 136 to a point on the easterly line of LOT 9, BLOCK 136; thence
3. SOUTH 16° -57'-30" WEST 314.00 Feet along the common lines of LOT 9 and LOT 5 of BLOCK 136 to a point on the northerly line of LOT 4, BLOCK 136; thence
4. SOUTH 81° -57'-30" WEST 501.64 Feet along the common lines of LOT 5 and LOT 5 of BLOCK 136 to a point and place of beginning.

This is meant to describe the southerly 4.06 acres of Lot 5, Block 136. Said descrption being the lands south of N.J.D.E.P. approved Stream Encroachment Limit Line as described in Application Permit No. 1178 dated June 17, 1985.

EXHIBIT "H"

AFFORDABLE HOUSING PLAN

FOR

SOCIETY HILL AT MORRIS II

A RESIDENTIAL DEVELOPMENT OF

K. HOVNANIAN AT MORRIS II, INC.

PREPARED BY:______________________________

Edward A. Israelow, Esq.
Attorney at Law of New Jersey
K. Hovnanian at Morris II, Inc.

EXHIBIT "I"

AFFORDABLE HOUSING PLAN
FOR
SOCIETY HILL AT MORRIS II

K. Hovnanian at Morris II, Inc. will construct 28 moderate income condominiums and 28 low income condominiums within the proposed development to be known as Society Hill at Morris II. These units will be distributed throughout the development as described further in this plan.

1. Definitions. For purposes of this Affordable Housing Plan, the following terms shall be defined as follows:

1.01 AFFORDABLE: (A) means that ownership expenses for principal, interest, taxes and insurance, and condominium fees, if any, excluding however, maintenance, heating and utility costs, shall not exceed (without the express written consent of the New Jersey Office of Public Interest Advocacy) 25% of the upper income limit for low or moderate income households, as the case may be. In determining ownership expenses in terms of qualifying household size -

1-bedroom = a 2-person household

2-bedrooms = a 3-person household

3-bedrooms = a 5-person household

(B) means that rental expenses for monthly contract rent, excluding utility charges, if any, shall not exceed 25% of the upper income limit for low or moderate income households, as the case may be.

Interest rate, for the purpose of calculating affordability, shall mean the average of the National Mortgage Contract Rate blend of fixed and adjustable mortgages and the Federal Home Loan Bank published averages, not to exceed a 12.5% mortgage interest rate, but subject to subsequent adjustment by the Fair Housing Committee, based upon a survey of prevailing mortgage interest rates. Such interest rate to be used for calculation purposes shall be certified by the Fair Housing Committee.

In the event that the Developer obtains a commitment for 30 year fixed payment rate mortgages in sufficient quantity to provide mortgage financing for all the Affordable Condominiums in Society Hill at Morris II, yet remaining to be sold by Developer at that time, the payment rate for the 30 year fixed payment rate mortgage shall be used for purposes of calculating the sales prices of the Affordable Condominiums.

Affordable shall further be defined to reflect the requirement that K. Hovnanian at Morris II, Inc. shall limit the purchase prices of the Affordable Condominiums in accordance with the definition of affordable as set out herein.

For the purposes of determining sales prices of the Affordable Condominiums to be constructed at Society Hill at Morris II, the income limits for a family of 3 persons shall be used for the 2 bedroom Affordable Condominiums and the income limits for a family of 5 persons shall be used for the 3 bedroom Affordable Condominiums. The income limits for the 3 and 5 person families shall be determined by reference to the Income Limits for Public Housing as established by HUD.

This development will have four categories of Affordable Condominiums: 2 bedroom Low Income Condominium (18); 2 bedroom Moderate Income Condominium (18); 3 bedroom Low Income Condominium (10) and 3 bedroom Moderate Income Condominium (10). There will be a separate and fixed sales price for each category of Affordable Condominium, regardless of the size of the family which purchases an Affordable Condominium and regardless of the specific mortgage obtained by any individual purchaser.

1.02 <u>AFFORDABLE CONDOMINIUM:</u> A condominium at Society Hill at Morris II which has been designated as either a Low Income Condominium or a Moderate Income Condominium, as the applicable case may be, pursuant to this Affordable Housing Plan.

1.03 <u>AGENCY:</u> The Fair Housing Committee of the Borough of Lincoln Park or similar entity to be created by the Borough of Lincoln Park, or any successor duly authorized to carry out the powers and responsibilities of the Fair Housing Committee. If no specific Agency is formed or if no specific successor is duly established, the Agency for the purpose of implementing this plan shall be the Planning Board of the Borough of Lincoln Park or its designee.

1.04 ASSESSMENTS: Shall mean and refer to levies, charges or assessments both public and private, including those imposed by the Association, as the applicable case may be, upon the condominium units which are part of the Association.

1.05 ASSOCIATION: Society Hill at Morris II Condominium Association, Inc., its successors and assigns as same is defined in the Master Deed and Declaration of Restrictive and Protective Covenants.

1.06 FAMILY: Shall mean all persons living as a single non-profit housekeeping unit whether or not same are related by blood, marriage or otherwise. "Family" shall also be synonymous with "Household".

1.07 FIRST PURCHASE MONEY MORTGAGE: Shall mean and refer to the most senior mortgage lien to secure repayment of funds for the purchase of an Affordable Condominium or the holder and assigns of such most senior mortgage holder. Such mortgagee must be an institutional lender or investor, licensed or regulated by a State or Federal government or an agency thereof.

1.08 FORECLOSURE: Shall mean and refer to a termination of all rights of the mortgagor or the mortgagor's assigns or grantees in an Affordable Condominium covered by a recorded mortgage through legal processes, or through a Deed in Lieu of Foreclosure which has been executed and delivered prior to a judicially-regulated sale. Foreclosure shall not take place before the exhaustion of remedies as set forth in this Plan.

1.09 GROSS AGGREGATE FAMILY INCOME: Gross Aggregate Family Income means the total annual Income from all sources of all members of the Household or Family, as determined and adjusted in accordance with the rules and regulations promulgated by the Agency.

1.10 IMPROVEMENT: Shall mean and refer to additions within an Affordable Condominium, including materials, supplies, appliances or fixtures which become a permanent part of, or affixed to, an Affordable Condominium.

1.11 INCOME: Shall mean and refer to all income, from all sources, such as compensation for services, interest, rents, dividend and gains from the sale of property, pension benefits and government benefits.

1.12 LOW INCOME CONDOMINIUM: A condominium unit which is Affordable to a Low Income Family.

1.13 LOW INCOME FAMILY: A Family whose Gross Aggregate Family Income is not greater than 50% of the Median Income of the Newark PMSA (which includes Essex, Union, Morris and Sussex Counties) with adjustments for household size, as established periodically by HUD.

1.14 LOW INCOME PURCHASER: A Low Income Family purchasing either a Low Income Condominium or a Moderate Income Condominium as the case may be.

1.15 LOWER INCOME CONDOMINIUM: Same as an Affordable Condominium.

1.16 LOWER INCOME FAMILY: A Family which is either a Low Income Family or a Moderate Income Family, as the case may be.

1.17 LOWER INCOME PURCHASER: A purchaser of an Affordable Condominium which is either a Low Income Purchaser or a Moderate Income Purchaser as the case may be.

1.18 MARKET CONDOMINIUM: Any condominium in Society Hill at Morris II which is not designated as an Affordable Condominium.

1.19 MASTER DEED: The Master Deed and Declaration of Restrictive and Protective Covenants, including By-Laws, and Rules and Regulations for Society Hill at Morris II, to be recorded in the Office of the Clerk of Morris County, and any proper amendments thereto.

1.20 MEDIAN INCOME: Shall mean and refer to the annual median family income figure for the Newark P.M.S.A. comprising Essex, Union, Morris and Sussex Counties, New Jersey as computed, published and adjusted for household size by the United States Department of Housing and Urban Development ("HUD") or such successor figure as shall be prepared and so adjusted by an entity or entities of the Federal government.

1.21 MODERATE INCOME CONDOMINIUM: A Unit which is Affordable to a Moderate Income Family and which is approved or constructed pursuant to the Borough of Lincoln Park Ordinances to provide housing for Families of Low or Moderate Income. Nothing in this Affordable Housing Plan shall prohibit K. Hovnanian at Morris II, Inc. or subsequent owners of a Moderate Income Condominium from selling a Moderate Income Condominium to a Low Income Family, however, the sales price of the Moderate Income Condominium need remain Affordable only to Moderate Income Families.

1.22 <u>MODERATE INCOME FAMILY:</u> A Family whose Gross Aggregate Income is no greater than 80% and no less than 50% of the Median Income of the Newark PMSA with adjustments for household size, as established periodically by HUD.

1.23 <u>MODERATE INCOME PURCHASER:</u> A Moderate Income Family purchasing a Moderate Income Condominium.

1.24 <u>OWNER:</u> The then current title holder of record of an Affordable Condominium. Owner shall refer to and mean the title holder of record as same is reflected in the most recently dated and recorded deed for a particular Affordable Condominium. Ownership of a Condominium Unit shall be deemed to be acceptance and ratification of this Affordable Housing Plan and all its provisions. Where appropriate, the term Owner shall also mean and refer to a person who occupies a Unit as a tenant.

1.25 <u>QUALIFIED PURCHASER:</u> Shall mean and refer to a person who, pursuant to this Plan, (1) submits an Application for Certification as a Qualified Purchaser to the Developer; (2) whose Gross Aggregate Family Income at the time of issuance of Certification as a Qualified Purchaser of an Affordable Condominium is within Low or Moderate Income Levels, as these Income Levels are defined herein; and (3) who obtains Certification as a Qualified Purchaser of an Affordable Condominium. Once a Qualified Purchaser becomes an Owner of an Affordable Condominium in accordance with the provisions of this Plan, any increase or decrease in the Gross Aggregate Family Income of such Owner shall not affect ownership rights, privileges or obligations of such Owner. The term "Qualified Purchaser" shall also include a person or family who occupies the Unit on a rental basis, subject to the qualifications and conditions stated above and elsewhere herein. Any person who submits false information in support of an application for certification as determined by the Fair Housing Committee while such person retains title to the Affordable Condominium and who subsequently receives such certification and either title to a Unit as Owner or possession of a Unit as tenant shall be deemed to constitute a violation of a restriction of record and a violation of the provisions of this Plan and any interest in such unit shall be subject to forfeiture pursuant to the provisions of Paragraph 10 of this Plan. Violation of this Plan by an owner which is discovered after the violating owner has conveyed title to a third party shall not work a forfeiture or a reversion of title as to such third party.

1.26 REGION: "Area" or "Region" for purposes of determining the Median Income Limits used and for the purpose of calculating the selling prices and rents of the Affordable Condominiums shall be the Newark P.M.S.A., consisting of Essex, Union, Morris and Sussex Counties.

1.27 UNIT: Shall mean and refer to an Affordable Condominium or a Market Condominium, as the case may be. It shall be synonomous with "Condominium Unit".

2. Part of Association. The Affordable Condominiums will be located within Society Hill at Morris II and shall be a part of the Association.

3. Floor Plans. The Affordable Condominiums shall consist of at least the floor plans described as follows:

A. Model 5302 - 36, 2 bedroom units (Exhibit G-2 of the Master Deed);

B. Model 5303 - 20, 3 bedroom units (Exhibit G-3 of the Master Deed);

The Affordable Condominiums actually constructed will be substantially similar to those shown in the Exhibits G-2 and G-3. K. Hovnanian at Morris II, Inc. shall have the right to add additional or modify floor plans so long as they meet the criteria and provisions set forth in this Affordable Housing Plan, the ordinances of the Borough of Lincoln Park and the Agency is notified in writing of any modification involving change in the number of bedrooms within the unit.

4. Location. K. Hovnanian at Morris II, Inc. shall sell or rent a total of 56 Affordable Condominiums to Lower Income Families, 28 Units to Moderate Income Families and 28 Units to Low Income Families, in accordance with the provisions of this Affordable Housing Plan. K. Hovnanian at

Morris II, Inc. will specify the location of these Affordable Condominiums on building plans prior to application for building permits for an individual building in accordance with Sheet 21 of the phasing plans, and as shown on Exhibit "A" annexed hereto.

5. <u>Master Deed Provisions: Part of Plan: Duration: Amendment.</u> The Master Deed for the Condominium Association shall include the following section which specifically addresses Affordable Condominiums and the restrictions on resale of said Condominiums which shall be imposed upon their Owners, the terms of which shall also be a part of and incorporated into the Affordable Housing Plan. The Master Deed shall bear the following provision and the restrictions contained therein shall apply to all 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. 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.

Paragraph 8 of this Affordable Housing Plan shall govern resale of Affordable Condominium Units by Society Hill at Morris II.

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 an 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 Obsolesence", 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.

6. <u>Affordable Housing Agency.</u> The Borough of Lincoln Park has established the Fair Housing Committee whose purpose, among others, is to administer the provisions of this Affordable Housing Plan and to structure and enforce the mechanism and criteria for the determination of who are Lower Income Purchasers constituting Qualified Purchasers at time of resale and for determining the allowable resale and rental prices of Affordable Condominiums. The Agency shall, by rules and regulations, establish the details of the application of such standards to resales of Affordable Condominiums, and to the determination of the Lower Income Purchasers constituting Qualified Purchasers in accordance with the terms and provisions of the Affordable Housing Plan. The Developer shall qualify original purchasers subject to review by the Agency.

The standards shall restrict the resales of Affordable Condominiums to prices which are Affordable to Lower Income Families and shall further restrict the installation of Improvements or amenities within or as a part of Affordable Condominiums which would unduly increase the resale prices of such Affordable Condominiums above the amounts considered as Affordable to Lower Income Families as prescribed by the terms of this Plan and as determined by the Agency.

7. Deeds of Conveyance Provisions. The Deeds of Conveyance from K. Hovnanian at Morris II, Inc. to the purchasers of Affordable Condominiums shall include the following clause:

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

The above clause shall be in addition to the clause stating that the Unit is subject to the Homeowners Association Declaration of Covenants and Restrictions which clause will also appear in the Deeds for all Units in this development.

8. Statement of Exemption - Low and Moderate Income Condominiums. Where a Low Income Condominium or a Moderate Income Condominium remains unsold for a period of six months, K. Hovnanian at Morris II, Inc. shall be at liberty to rent such unit for a period not to exceed one year at a fair market rental. At the end of this one year period, the following re-sale limitations shall apply:

> "The low income units upon re-sale may be sold only to low income persons, and the moderate income units may be sold to low or moderate income purchasers. If, however, no low income purchaser is found within six (6) months, the low income unit may, with the consent of the Public Advocate's office, 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, with the consent of the Public Advocate's office, be sold to any purchaser. Regardless of the income of the purchaser, the re-sale controls shall remain in effect for subsequent re-sales."

The above quoted re-sale limitations are also applicable to all re-sales of Affordable Condominiums at Society Hill at Morris II by those other than K. Hovnanian at Morris II, Inc. However, purchasers of Affordable Condominiums from K. Hovnanian at Morris II, Inc. and their subsequent re-sale of these units shall not require the consent of the Public Advocate's office as set forth in the above quoted paragraph.

To permit the sale, resale or rental of an Affordable Condominium under this section, the Agency shall issue a Statement of Exemption in recordable form to the Owner or K. Hovnanian at Morris II, Inc. as the case may be, desiring to sell, resell or rent the Affordable Condominium. The Agency may, in its sole and exclusive discretion, specify conditions under which the Statement of Exemption may be granted. The Agency may specify different conditions for the grant of each Statement of Exemption. A copy of the Statement of Exemption shall be given to the purchaser at the time of closing of title or to the tenant prior to occupancy. The Statement of Exemption shall deem such purchaser to be a Lower Income Family Qualified Purchaser for purposes of any subsequent resale. A Statement of Exemption issued pursuant to this section shall exempt only the specific sale, resale or rental transaction for which it was issued. Such Statement of Exemption shall be valid according to the terms and conditions, and for such period of time, as specified by the Agency. The restrictions of resale or rental to only Lower Income Family Qualified Purchasers shall apply to the subsequent resale or rental of an Affordable Income Condominium resold or rented pursuant to a Statement of Exemption, unless a new Statement of Exemption is issued pursuant to this section. As provided in this section, the purchaser which became a Qualified Purchaser and Owner by virtue of a Statement of Exemption (Owner at the time of subsequent resale) of the Affordable Condominium shall be deemed to be a Lower Income Family Qualified Purchaser for purposes of compliance with the restrictions of re-sale of the Affordable Condominium. Such purchaser, however, shall take title and/or possession to the Affordable Condominium subject to the same terms, restrictions, conditions and provisions of this Affordable Housing Plan including those addressing use, occupancy, improvements and resale as though such purchaser were in fact a Lower Income Family Qualified Purchaser.

Nothing shall preclude the Agency from purchasing the Affordable Condominium and holding, renting or conveying it pursuant to Lincoln Park's ordinances and the rules and regulations of the Agency provided such right is exercised prior to the Owner signing a valid contract to sell such Affordable Condominium.

9. Exempt Transactions. The following transactions shall be deemed "non-sales" for purposes of this Affordable Housing Plan and the Owner receiving title by virtue of any of the following transactions shall be entitled to receive from the Agency and the Agency shall issue a Statement of Exemption to the Owner receiving title by virtue of any of the following transactions:

(a) Transfer of Ownership of an Affordable Condominium between husband and wife;

(b) Transfer of Ownership of an Affordable Condominium between former spouses ordered as a result of a judicial decree of divorce, (and not including sales to third parties);

(c) Transfer of Ownership of an Affordable Condominium between family members as a result of inheritance;

(d) Transfer of Ownership of an Affordable Condominium through an Executor's Deed to a Devisee designated by the Owner's will;

(e) Transfer of Ownership of an Affordable Condominium through an Order of the Superior Court or other court.

Such Transfer of Ownership neither extinguishes the Restrictions and applicability of this Affordable Housing Plan to such Affordable Condominium nor terminates any liens set forth under this Plan. Liens must be satisfied in full prior to the subsequent resale of the Affordable Condominium and all such subsequent resales are fully subject to the terms and provisions of this Affordable Housing Plan.

10. Violation of Plan. The interest of any Owner may, at the option of the Agency, be subject to forfeiture in the event of substantial breach of any of the terms, restrictions and provisions of this Plan which remains uncured for a period of sixty (60) days after service of a written Notice

of Violation upon the Owner by the Agency. The Notice of Violation shall specify the particular infraction and shall advise the Owner that his or her interest may be subject to forfeiture if such infraction is not cured within sixty (60) days of receipt of the Notice. The provisions of this paragraph may be enforced by the Agency by court action seeking a judgment which would result in the termination of the Owner's interest in the unit. Any judgement shall be enforceable as if same were a judgement of default of a First Purchase Money Mortgage and shall constitute an encumberance against the Affordable Condominium. Such judgement shall be enforceable at the option of the Agency, by means of an execution sale by the Sheriff at which the Affordable Condominium of the violating Owner shall be sold at a sales price as determined in accordance and consistent with the resale provisions of this plan and which is not less than the amount necessary to fully satisfy and payoff any First Purchase Money Mortgage and prior liens and costs of the enforcement proceedings including attorney's fees. The violating Owner shall have his right to possession terminated as well as his title conveyed pursuant to the Sheriff's Sale.

The proceeds of the Sheriff's Sale shall first be applied to satisfy the First Purchase Money Mortgage lien. and any prior liens upon the Affordable Condominium. The excess, if any, shall be applied to reimburse the Agency for any and all costs and expenses incurred in connection with either the court action resulting in the judgment of violation or the Sheriff's Sale. In the event that the proceeds from the Sheriff's Sale are insufficient to reimburse the Agency in full as aforesaid, the violating Owner shall be personally responsible for and to the extent of such deficiency, in addition to any and all costs, including but not limited to attorney fees, incurred by the Agency in connection with collecting such deficiency. In the event of a surplus, the balance if any, shall be placed in escrow by the Agency for the Owner and shall be held in such escrow for a maximum period of two years or until such earlier time as the Owner shall make a claim with the Agency for such monies. Failure of the Owner to claim such balance within the two year period shall automatically result in a forfeiture of such balance to the Agency. Any interest accrued or earned on such balance while being held in escrow shall belong to and shall be paid to the Agency whether such balance shall be paid to the Owner or forfeited to the Agency.

Title shall be conveyed to the purchaser at the Sheriff's Sale subject to the restrictions and provisions of the Affordable Housing Plan. The Owner determined to be in violation of the provisions of this Plan and from whom title has been divested by means of the Sheriff's Sale shall not be entitled to any right of redemption. If there are no bidders at the Sheriff's Sale, or if insufficient amounts are bid to satisfy the First Purchase Money Mortgage and any prior liens, the Agency may acquire title to the Affordable Condominium by satisfying the First Purchase Money Mortgage and any prior liens and crediting the violating Owner with an amount equal to the difference between the First Purchase Money Mortgage and any prior liens and costs of the enforcement proceedings including legal fees and the maximum sales price for which the Affordable Condominium could have been sold under the terms of this Affordable Housing Plan. This excess shall be treated in the same manner as the excess which would have been realized from an actual sale as previously described. Failure of the Affordable Condominium to be either sold at the Sheriff's Sale or acquired by the Agency shall obligate the Owner to, at the option of the Fair Housing Committee, either convey title of the Affordable Condominium to the Fair Housing Committee which will hold title in trust for the Owner until such time as the Fair Housing Committee can convey title to a Qualified Purchaser in accordance with this Plan, or accept an offer to purchase from any Qualified Purchaser, which may be referred to the Owner by the Agency, with such offer to purchase being equal to the maximum sales price of the Affordable Condominium as permitted by the terms and provisions of this Affordable Housing Plan.

The Owner shall remain fully obligated, responsible and liable for complying with the terms and restrictions of this Plan until such time as title is ultimately conveyed to a Qualified Purchaser.

11. <u>Covenants Running With Land.</u> The provisions of this Affordable Housing Plan shall constitute covenants running with the land with respect to each Affordable Condominium affected hereby, and shall bind all purchasers of each such Unit, their heirs, assigns and all persons claiming by, through or under their heirs, executors, administrators and assigns. The terms, restrictions and covenants of this Plan shall, however, automatically expire and terminate at the earliest of the following: (1) thirty (30) years from the date of recording this plan; or (2) the date upon which the event set forth in paragraph 13 hereinafter shall occur; 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, an instrument executed by the Association evidencing same must be duly recorded with the Office of the Clerk of Morris County.

12. <u>Effect of Foreclosure.</u> Any Affordable Condominium which is acquired by a first mortgagee by Deed in lieu of foreclosure, or by any purchaser at a mortgage foreclosure sale conducted by the holder of the first purchase money mortgage (including the first mortgagee but excepting the defaulting mortgagor) shall be permanently released from the restrictions and covenants of this Plan and all resale restrictions shall cease to be effective as to the first mortgagee and all subsequent purchasers and mortgagees of that particular unit (except for the defaulting mortgagor, who shall be subject to the resale restrictions of this plan with respect to the unit owned by him at the time of his default should he reacquire title to such unit within ten (10) years of his default and conveyance of title from him). Execution or Foreclosure sales by any other class of creditor shall not result in a release of the unit from the provisions of this plan.

13. <u>Obligations of Owners.</u> The Owner of an Affordable Condominium shall not permit any lien, other than the First Purchase Money Mortgage, to attach and remain on the property for more than sixty (60) days.

The Owner of an Affordable Condominium shall keep the unit in good repair and shall not commit waste thereon.

The Owner shall pay all taxes and public Assessments and Assessments by the Association levied upon or assessed against the unit, or any part thereof, as and when the same become due and before penalties accrue.

This Affordable Condominium is part of a condominium together with appurtenances thereto. The Owner, in addition to paying condominium assessments as described in the Master Deed and in Paragraph 5 of this Affordable Housing Plan shall further fully comply with all of the terms, covenants or conditions of said Master Deed, as well as fully comply with all terms, conditions and restrictions of this Affordable Housing Plan.

14. <u>Agency's Right to Cure.</u> The Agency may, at its option, advance and pay all sums necessary to protect, preserve and retain the unit as an Affordable Condominium subject to the terms of this Plan. All sums so advanced and paid by the Agency shall become a lien against such unit and shall have a higher priority than any lien except the First Purchase Money Mortgage lien and liens by duly authorized government agencies. Such sums may include, but are not limited to, insurance premiums, taxes, assessments (public or private) and liens which may be or become prior and senior to any First Purchase Money Mortgage as a lien on the Unit, or any part thereof. In the event any First Mortgagee or other creditor of an Owner of an Affordable Condominium exercises its contractual or legal remedies available in the event of default or nonpayment by the Owner of an Affordable Condominium, the Owner shall notify the Agency in writing within 10 days of such exercise by the First Mortgagee or creditor and no later than 10 days after service of any summons and complaint and the Agency shall have the option to purchase, redeem, or cure any default upon such

terms and conditions as may be agreeable to all parties in interest and/or to acquire the First Purchase Money Mortgage to the Unit, thereby, replacing the First Mortgagee as the First Mortgagee of the Unit. The Agency shall have the same priority of lien as was held by the First Mortgagee at the time the Agency acquires such First Purchase Money Mortgage, and shall have the right of subrogation with respect to any other claim or lien it satisfies or acquires.

15. <u>Provisions for First Purchase Money Mortgagees.</u> The terms and restrictions of this Affordable Housing Plan shall be subordinate only to the First Purchase Money Mortgage lien on any Affordable Condominium and in no way shall impair the First Mortgagee's ability to exercise the contract remedies available to it in the event of default as such remedies are set forth in the First Purchase Money Mortgage documents for the unit. So long as the First Purchase Money Mortgage is not sold to the Federal National Mortgage Association or in the secondary mortgage market, the First Mortgagee and/or mortgage servicer shall serve written notice upon the Agency within ten (10) days after the First Purchase Money Mortgage is three (3) months in arrears, and again within ten (10) calendar days of the filing of the complaint seeking foreclosure of the First Purchase Money Mortgage held on an Affordable Condominium.

The obligation of the First Mortgagee and servicer to notify the Agency shall cease automatically and immediately upon the sale of the First Purchase Money Mortgage to the Federal National Mortgage Association or in the secondary mortgage market unless the rules and regulations or guidelines of the Federal National Mortgage Association are amended so as to not prohibit or exclude placing such obligation upon the holder of the mortgage or its service representative, in which case, an instrument duly evidencing same must be recorded with the Office of the Clerk of Morris County, New Jersey, before any such obligation shall exist. Provided that the First Mortgagee is obligated to give the Agency the above mentioned notices, the First Mortgagee shall also serve written notice of any proposed Foreclosure sale upon the Agency at least thirty (30) days prior to the first scheduled date of such sale. The First Mortgagee shall serve notice upon the Agency within thirty (30) days of the sale of the First Purchase Money Mortgage to the Federal National Mortgage Association or in the secondary mortgage market.

The Borough of Lincoln Park and/or the Agency or any instrumentality designated by the Borough shall have the right to purchase any mortgage which is in default at any time prior to the entry of a foreclosure judgment, or within the redemption period thereafter. Notification of a default and of the institution of a Foreclosure action and of a sheriff's sale shall be served in writing upon the Borough Clerk as aforesaid. The Borough of Lincoln Park shall at all times be considered a party in interest and shall have the right to be joined as a party defendant and/or shall have the right to intervene in any foreclosure action seeking foreclosure of a first mortgage and/or shall have the right to redeem and acquire the owner's equity of redemption or to acquire the unit from the Owner upon such terms and conditions as may be determined by the Agency.

16. Surplus Funds. In the event of a Foreclosure sale by the holder of the First Purchase Money Mortgage, the Owner shall be personally obligated to pay to the Agency any surplus funds, but only to the extent that such surplus funds exceed the difference between what the Owner could have resold his unit for under this Plan at the time of the Foreclosure sale and the amount necessary to redeem and satisfy the First Purchase Money Mortgage debt, including costs of foreclosure. For purposes of this paragraph, surplus funds shall be the total amount paid to the sheriff in excess of the amount required to pay and satisfy the First Purchase Money Mortgage, including the costs of foreclosure, even if junior creditors actually receive payment from said surplus funds to the exclusion of the Owner. The Agency is hereby given a first priority lien, second only to the First Mortgagee of a Unit and any taxes or public assessments by a duly authorized governmental body, equal to the full amount of surplus funds.

This obligation of the Owner to pay this full amount to the Agency shall be deemed to be a personal obligation of the Owner of record at time of the Foreclosure Sale and the Agency is hereby empowered to enforce the obligation of the Owner in any appropriate court of law or equity as though same were a personal contractual obligation of the Owner. Neither the First Mortgagee nor the purchaser at the Foreclosure Sale shall be responsible or liable to the Agency for any portion of this excess.

17. Disclosure Statements. K. Hovnanian at Morris II, Inc. shall provide Disclosure Statements to all initial purchasers of Affordable Condominiums prior to the execution of any contract of sale. The provisions of such disclosure statements shall be as set forth on Exhibit A attached hereto. All Owners of Affordable Condominiums shall provide copies of such Disclosure Statements to subsequent buyers prior to execution of contracts for sale with such buyers. In addition, K. Hovnanian at Morris II, Inc., shall provide to the initial owner of an Affordable Condominium, who, in turn, shall provide copies to prospective buyers, copies of the Ordinance creating the Agency, together with copies of existing regulations promulgated by the Agency and a copy of this Affordable Housing Plan together with any duly approved and recorded amendments at the time the contract of sale is executed and delivered to the prospective purchaser.

18. Service Upon Township or Agency. Wherever in this document the Agency or the Borough of Lincoln Park is authorized to receive letters, contracts or other documents, the Township Clerk shall be the person to whom same are delivered.

19. Captions/Headings. All captions and headings in this Affordable Housing Plan are for purposes of reference only and shall not affect the interpretation or construction of any provision of this Affordable Housing Plan.

20. Severability. It is the intention of both the Borough of Lincoln Park and K. Hovnanian at Morris II, Inc. 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 provision, 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, both parties, their successors and assigns, and all persons claiming by, through or under them 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.

21. Agreement. K. Hovnanian at Morris II, Inc. shall construct the 56 Affordable Condominiums and agrees that all such designated Affordable Condominiums shall be sold, rented and marketed by them in accordance with the provisions of this Affordable Housing Plan.

Dated: ____________________

ATTEST: ____________________

K. HOVNANIAN AT MORRIS II, INC.

BY: ____________________

ATTEST: ____________________

BOROUGH OF LINCOLN PARK

BY: ____________________

PREPARED BY:

Edward A. Israelow
Attorney at Law of New Jersey

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EXHIBIT A

2 Bedroom Low Income Units (Model 5302)

Building	Unit
1	C2
1	D2
1	G1
1	G3
1	H1
1	H3
3	C2
3	D2
3	G1
3	G3
3	H1
3	H3
5	C2
5	D2
5	G1
5	G3
5	H1
5	H3

2 Bedroom Moderate Income Units (Model 5302)

Building	Unit
1	C1
1	C3
1	D1
1	D3
1	G2
1	H2
3	C1
3	C3
3	D1
3	D3
3	G2
3	H2
5	C1
5	C3
5	D1
5	D3
5	G2
5	H2

3 Bedroom Low Income Units (Model 5303)

Building	Unit
2	A2
2	B1
2	B3
2	E1
4	A1
4	A3
4	B2
11	A1
11	A3
11	B2

3 Bedroom Moderate Income Units (Model 5303)

Building	Unit
2	A1
2	A3
2	B2
2	E2
4	A2
4	B1
4	B3
11	A2
11	B1
11	B3