

**PUBLIC OFFERING STATEMENT
FOR
FEE SIMPLE TOWNHOUSE OWNERSHIP**

**Filed by:
MONTGOMERY WOODS ASSOCIATES
DEVELOPER
100 Craig Road
Freehold, New Jersey 07728**

**For Townhouses, Lots and Parcels
located in the Township of Montgomery
pursuant to the requirements
of the Planned Real Estate Development
Full Disclosure Act (N.J.S.A. 45:22A-21 et seq.)**

MONTGOMERY WOODS

Princeton, New Jersey 08540

NOTICE TO PURCHASERS

THIS PUBLIC OFFERING STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY. PURCHASERS SHOULD ASCERTAIN FOR THEMSELVES THAT THE PROPERTY OFFERED MEETS THEIR PERSONAL REQUIREMENTS. THE NEW JERSEY DIVISION OF HOUSING AND DEVELOPMENT HAS NEITHER APPROVED NOR DISAPPROVED THE MERITS OF THIS OFFERING.

**Effective Date of Registration: October 31, 1984
Registration Number: 980
Amended Date: May 1, 1985**

TABLE OF CONTENTS
OF THE INTRODUCTION TO THE PUBLIC OFFERING STATEMENT

	<u>Page</u>
1. Name and Address of the Builder	1
2. Location and Description of the Interest Being Offered	2
3. Description of the Development	6
4. Community Information	7
5. Description of Improvements	12
6. Operation and Maintenance of Common Properties and Common Elements	16
7. Control of Operation and Maintenance	17
8. Proposed Budget	19
9. Management Agreement and Other Contractual Agreements	20
10. Relationship Between the Builder and Managing or Service Agents	21
11. Declaration of Covenants, Conditions and Restrictions	22
12. Statement of Restrictions	23
13. Instrument of Interest	26
14. Trust Account	27
15. Title Insurance	28
16. Significant Terms of Encumbrances	29
17. Natural Forces Adversely Affecting the Property	31
18. Adverse Man-Made Forces Affecting the Property	32
19. Taxes Affecting the Property	33
20. Special Taxes or Assessments	34

21. Estimated Settlement Costs	35
22. Builder's Warranty	37
23. Other Developments	40
24. Right to Cancel	40
23. Hazard and Liability Insurance	41
26. Exhibits	42

EXHIBITS

- Exhibit A: The Organization Documents for the Montgomery Woods Homeowners Association, Inc. including the Declaration of Covenants, Conditions and Restrictions, By-Laws and Certificate of Incorporation.
- Exhibit B: Budget for The Montgomery Woods Homeowner's Association and Budget Adequacy Letter.
- Exhibit C: Insurance Adequacy Letter
- Exhibit D: Proposed Form of Management Contract.
- Exhibit E: Proposed Form of Deed to The Montgomery Woods Homeowner's Association.
- Exhibit F: Agreement of Purchase and Sale at Montgomery Woods.
- Exhibit G: Proposed Form of Deed Conveying Title in Townhouse from Montgomery Woods Associates to Purchaser
- Exhibit H: Title Insurance Policy for Townhouse at Montgomery Woods
- Exhibit I: Builder's Registration Card for Montgomery Woods Associates.

INTRODUCTION

ITEM 1. Name and Address of the Developer

This Public Offering Statement is filed by Montgomery Woods Associates. Montgomery Woods Associates (hereinafter, MWA) maintains its offices at 100 Craig Road, Freehold, New Jersey 07728.

ITEM 2. Location and Description of the Interest Being Offered

MWA is the owner of approximately 73.73 contiguous acres of land in Montgomery Township, Somerset County, New Jersey. MWA envisions the construction of a residential community containing 340 townhouse dwellings to be known as Montgomery Woods which may be built in multiple phases over an extended period of time.

Because of the nature of the developmental process, MWA cannot assure that the residential development will ultimately be constructed as it is planned at the present time. Construction of any portion of the development is a function of consumer demand, market forces, interest rates, and governmental approvals. Within Montgomery Woods, MWA initially intends to construct and offer for sale eighty-five (35) single family attached residential dwellings known *as townhouses*. *MWA intends, in the future, to expand the construction process* to include additional townhouses.

Under the plan of ownership, maintenance and use envisioned for the development of Montgomery Woods townhouses will be under the fee simple form of ownership so as to permit, each owner of a townhouse to acquire exclusive ownership and possession of his lot and townhouse. Each owner of a townhouse may mortgage his property to any institutional lender or any other person or entity. Additionally, the townhouse is not subject to the lien of any mortgage placed on any other townhouse. Furthermore, a townhouse owner is free to decorate the interior of his townhouse.

The MWA will cause to be formed a homeowner's association to be known as The Montgomery Woods Homeowner's Association, Inc., (hereinafter "*MWHA*") which will be responsible for the upkeep, repair and routine maintenance of the exterior of all townhouse buildings, maintenance on individual lots, common property and common elements including but not limited

to streets, entryways, driveways, parking areas, sidewalks, curbs, landscaping, lawns, localized recreation areas, and similar facilities. In addition, Montgomery woods will be served by utilities, which are described in detail in Item 5. Townhouse owners would be subject to the restrictions set forth in The MWA Declaration of Covenants, Conditions and Restrictions (hereinafter "Declaration"). The organizational documents for the MWA including the Declaration are attached as Exhibit "A" to this Public Offering Statement. Anyone interested in purchasing a townhouse in Montgomery Woods is urged to examine the Declaration for a more complete description of common property and common elements and the rights and responsibilities of townhouses owners.

Subject to the restrictions set forth in the Declaration and By-Laws, of the MWA, as these may be amended from time to time, a townhouse owner is free to lease, sell, or otherwise convey his townhouse. However, there are certain restrictions concerning the leasing of the townhouses contained in the Declaration, including but not limited to a prohibition against leasing for less than a one (1) year term.

Membership in the MWA is automatic upon obtaining ownership of a townhouse, and includes the right to vote on all matters within the purview of the association. Each owner will also own a beneficial interest in all common property owned by the MWA. This interest cannot be separated from the ownership of a townhouse. If the owner were to sell his townhouses, he would also transfer his membership Interest in the common property and common elements described on the MWA Declaration.

Montgomery Woods is planned to be developed in accordance with the zoning ordinance of Montgomery Township which designates the area as a Planned Unit Development, and townhouse owners are subject to the Montgomery Township zoning laws and all other state and local laws and ordinances.

A note on Projected Route 92

In 1972 the New Jersey Department of Transportation (hereinafter "NJ DOT") filed with certain affected municipalities, a projected line set aside for a new highway known as Route 92, to be a connecting roadway link between Route 206 north and Route 33 east of Hightstown. On October 22, 1982 the Montgomery Township Planning Board advised NJDOT that an application had been filed by Calton Homes, Inc., one of the joint venture general partners and the predecessor to MWA, to develop Montgomery Woods, and that the projected development included real property set aside by NJDOT for the proposed highway. Subsequent to that date, a meeting took place between Calton Homes, Inc., officials of Montgomery Township and NJDOT. At that meeting an alternate route was proposed by Calton Homes, Inc. for Route 92, which coincided with the Township line between Montgomery Township and Princeton Township. Further meetings took place, which included representatives of Princeton Township. It was indicated at those meetings that residents of Princeton Township and others would very likely oppose the proposed alternate plan for Route 92. At the time NJDOT was also considering other alternatives including an option of not building the proposed highway.

On February 9, 1983 Calton Homes, Inc., offered to convey to NJDOT a tract of land underlying the proposed alternate route along the Montgomery Township and Princeton Township line. On June 6, 1983 an agreement was executed between the parties whereby Calton Homes, Inc. agreed to donate fifteen (15) acres to the State for a total consideration of One (\$1.00) Dollar if NJDOT decided to use this proposed alternate route. The agreement further provided that the deed from Calton Homes, Inc. to NJDOT contain a reverter clause, which shall revert title to Calton Homes, Inc., in the event that the alternate route proposed by Calton Homes, Inc., was abandoned, de-programmed

or removed from NJDOT's Master Plan for Highway Construction. In the event the aforementioned portion of land should under the terms of the agreement revert to Calton Homes, Inc., it will be free to develop that property as it deems fit, subject to the approval of local and county public entities. On March 17, 1983, the Montgomery Township Committee adopted a resolution endorsing the acceptance of the offer by the Calton Homes, Inc. of the potential conveyance to NJDOT. The Montgomery Township Committee in the same resolution expressed its preference for the Calton Homes, Inc., proposed 1984 alignment for Route 92.

On July 20, 1983 the Township of Princeton filed a notice of appeal specifically directed at the agreement between Calton Homes, Inc. and NJDOT on June 6, 1983. This appeal was dismissed by the Superior Court of New Jersey, Appellate Division, based on the Court's determination that the decision by NJDOT to enter into an agreement with Calton Homes, Inc., was not a final decision or action, reviewable by the Court.

At the present time NJDOT still has not reached a final decision on the location of proposed Route 92. NJDOT is presently considering five (5) options regarding the location of the highway including a no-build alternative. Two of the options would have no direct effect upon Montgomery Woods, including one alternative which places Route 92 on the common boundary line between Princeton Township and Montgomery Township. This location is the subject of the agreement previously referred to in this Note. If the State chooses this location, Montgomery Woods will not be affected. Two other locations would seriously impact on Montgomery Woods since in both cases Route 92 traverses the site.

NJDOT is in the process of preparing a draft Environmental Impact Statement which is expected to be released late in 1985 or early in 1986. Until that time no assurance can be made as to the eventual location of the highway.

ITEM 3. Description and Phasing of the Development

MWA has developed initial planning for a townhouse development, which could eventually include as many as 340 townhouses. The construction of the townhouses will take place in accord with MWA's overall conceptual plan and under the provision of MWA's marketing and land use approval.

At the present time, MWA intends to construct in multiple phases a variety of building types, with different groupings and styles, at varying densities and differing amounts of open space. As presently planned, Phase One will consist of eighty-five (85) townhouses; Phase Two will consist of sixty-two (62) townhouses; Phase Three will consist of seventy-two (72) townhouses; Phase Four will consist of forty-seven (47) townhouses and Phase Five will consist of seventy-four (74) townhouses. As has been noted previously, the ultimate construction of all phases of this development is dependent on market forces and governmental approval, and MWA makes no assurances that full construction of any phase will take place as presently planned.

The development, if built according to present plans, will include 48 buildings, two stories in height, and with 3 different dwelling units available, ranging in size from 1650 square feet to 1830 square feet. The buildings will be arranged in groupings of seven to eight townhouses.

Access to Montgomery Woods will be provided from Blue Spring Road which has direct access from Somerset County Route 605 (also known as River Road). The construction of Montgomery Woods (Phase One) will begin in the late spring of 1984 and has an estimated completion date of late 1985. The date of completion of the entire project as already noted will depend on market conditions and governmental approval and other factors not in the control of MWA.

ITEM 4. Community Information

The Property located in the Township of Montgomery, County of Somerset, State of New Jersey is approximately 6 miles from Princeton, located in Mercer County, 11 miles from Somerville, the county seat of Somerset County and 40 miles north of Philadelphia. In 1980 the population of Montgomery Township was approximately 7,300 persons.

The Montgomery Township area is served by a network of major highways which provide ready access to New York, Newark, Northwestern and Central New Jersey and Pennsylvania. Highways including US Route I located approximately eight miles from Montgomery Woods and Interstate 295 located approximately 4 miles from Montgomery Woods provide access to the general area; and Interstates 287 and 78 and US Routes 202 and 22 provide access to other nearby areas of New Jersey. Route 206 is located about two (2) miles from the property. New- Jersey Transit Passenger Rail Service is available in Belle Mead located about three (3) miles from Montgomery Woods and in Somerville; rail connections are also available at Princeton Junction, approximately eight (8) miles south of Montgomery Woods. New Jersey Transit and Amtrak service is available at Princeton Junction. New Jersey Transit services Newark, New York City, Jersey City and Hoboken. Amtrak provides service to New York, Philadelphia, Boston and Washington. Additionally, bus service is available from Somerville and Princeton to Newark, New York City, and points west.

Mercer County Airport, located in Ewing Township approximately 10 miles from Montgomery Woods, provides daily connections to Newark, Philadelphia and other areas of the Northeast. Regularly scheduled major airlines operate out of Newark International Airport and Philadelphia Airport, both approximately forty (40) miles from Montgomery Woods.

Montgomery Woods has frontage along Somerset County Route No. 605, which is also known as River Road. Direct access to Montgomery Woods, including Montgomery Woods, Phase One, will be provided by Blue Spring Road, which will be built by MWA to conform to municipal standards and which is intended to be dedicated to Montgomery Township as a public road. However, no assurances can be made that Montgomery Township will accept said dedication. MWA is reserving the right, however, to extend Blue Spring Road at some time in the future, up to and beyond the designated boundary lines of Montgomery Woods.

Other pertinent local and regional information includes, but is not limited to, the following:

Schools

Public		
1.	Burnt Hill Road School Grades K thru 3	4 mi
2.	Orchard Road School Grades 4 thru 6	4 mi
3.	Montgomery Twp. High School Grades 7 thru 12	5 mi
Private		
1.	The Hun School of Princeton, Princeton	8 mi
2.	The Peddie School, Hightstown	10 mi
3.	Lawrenceville Preparatory School, Lawrenceville	10 mi
4.	The Pennington School, Pennington	10 mi
Parochial		
1.	Sacred Heart Grammar School, Trenton	13 mi
2.	Notre Dame High School, Trenton	13 mi

The following higher education facilities are located within 15 miles of the site:

- Princeton University, Princeton
- Rutgers University, New Brunswick
- Rider College, Lawrence Township

Trenton State College, Ewing Township
 Somerset County College, New Brunswick
 Mercer County College, West Windsor
 Westminster Choir College, Princeton

Churches

The following churches are located within Montgomery Township.

Protestant

1.	MWA United Methodist	5 mi
2.	Evangelical Free Church	8 mi
3.	Blawenburg Reformed Church	5 mi
4.	Harlingen Reformed Church	5 mi

Catholic

1.	St. Charles Catholic Church	3 mi
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Synagogues and Temples

1.	Congregation Kneseth Israel, Bound Brook	20 mi
2.	Mountain Jewish Community Center, Warren	20 mi
3.	Temple Beth El of Somerville, Somerville	15 mi
4.	Ahavath Israel Congregation, Ewing	10 mi
5.	Beth El Synagogue, East Windsor	25 mi
6.	Jewish Center of Princeton, Princeton	10 mi
7.	Princeton University Jewish Chaplain, Princeton	10 mi

Parks

Montgomery Township

1.	Montgomery Park Picnic area, 3 Little League fields, basketball courts, soccer field, campground	6 mi
2.	The Lubas Memorial Field Softball sized field, children's play area	6 mi

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|----|---|-------|
| 3. | Broadway Field
2 softball sized fields | 6 m i |
| 4. | Ingersoll Rand Playground
Children's play area, basketball court | 3 mi |

In addition to the above listed parks and facilities, Montgomery has eight (8) public Tennis Courts which are located behind Montgomery Township High School.

Somerset County

Somerset County has the following park and recreation facilities in a 20 mile vicinity:

1. Colonial Park, East Millstone
2. Duke Island Park, Bridgewater Township
3. Green Knoll Golf Course, Bridgewater Township
4. Green Knoll Tennis Center, Bridgewater Township
5. Leonard J. Buck Garden, Far Hills
6. Lord Stirling Park, Basking Ridge
7. Riding Stable, Basking Ridge
8. Spooky Brook Golf Course, Millstone
9. Warrenbrook Golf Course, Warren
10. Bunker Hill Golf Course, Griggstown

Mercer County

Mercer County has the following parks and recreation facilities in the vicinity. All are within 20 miles of the site.

1. Woodfield Reservation, Princeton
2. Washington Crossing State Park
3. Mercer County Park, West Hamilton Township
4. Cranbury Golf Course, West Windsor

5. Stony Brook Golf, Swim and Tennis Club, Hopewell Hospitals

Princeton Medical Center, (275 beds) Princeton 4 mi

Somerset Medical Center, (380 beds) Somerville 14 mi

Hunterdon Medical Center, (250 beds) Flemington 15 mi

Special Clinics

Carrier Clinic, (350 beds) Belle Mead 3 mi

Police Protection

The Montgomery Township Police Department is headquartered on Route 206 in Montgomery Township, approximately 5 miles from the Montgomery Woods.

Fire Protection

Fire Protection in Montgomery Township is provided by volunteer firemen. There are two volunteer fire companies located in Montgomery Township. The closest is Fire Company Number Two which is located approximately 3 miles from the Montgomery Woods.

There is also a Montgomery Township First Aid Squad located 6 miles from the Montgomery *Woods*.

ITEM 5. Description of Improvements

The Montgomery Woods will be serviced with road access and utilities. Collector roads, drainage easements, water supply systems, telephone service, gas service and electric service will be provided by MWA either directly or through contracts with water purveyors and utility companies.

In connection with developing Montgomery Woods, MWA intends to install, or will cause to be installed, a number of improvements to service the townhouses. These are outlined below. While it is the intention of MWA to provide these improvements, it has been noted previously that the actual timing and ultimate construction of these townhouses is dependent on market forces, costs, governmental action and other factors beyond the control of MWA. The construction of the improvements necessary to serve Montgomery Woods will be phased in concert with the construction of the Townhouses.

Improvements which will be provided to service the townhouses contained in this Application include:

1. Sewer - Sanitary sewer service will be provided by The Montgomery Township Sewerage Authority which will bill the townhouse owners separately for said service. The system will be standard sanitary sewer gravity collection and consist of house laterals and interceptor lines which will connect with a major trunk line which will be built by MWA. **In turn**, the major trunk line will tie into a proposed pump station to be located along River Road, on *the west side of Glue Spring Road*. *The pump station which will be built by MWA is anticipated to be dedicated to Montgomery Township which has indicated that it will accept the dedication after one hundred and seventy (170) certificates of occupancy are issued for Townhouses in Montgomery Woods. The cost of maintaining the*

pump stations will be borne by MWA until such time as the dedication is accepted by the Township. The system which will service Montgomery Woods will be phased in concert with the construction of townhouses.

2. Water - Water service to Montgomery Woods will be provided by the Elizabethtown Water Company. Construction within Montgomery Woods will be done by MWA which will assume the costs of construction. All construction of this utility will be done in *accordance with specifications provided by Elizabethtown Water Company* and after the mains and lines are constructed the water supply system will be conveyed to Elizabethtown Water Company which will own and maintain the system as a public utility and bill the townhouse owners separately. The system will be phased to provide adequate water supply to townhouses as they become available for Certificates of Occupancy.

3. Roads - The road system in Montgomery Woods will consist of interconnecting roads which connect to Blue Spring Road and provide access to parking courts to serve the interior sections of Montgomery Woods. Blue Spring Road and all interior roadways will be built by MWA in compliance with the specifications of Montgomery Township. The roadway system will be phased in concert with the construction of the townhouses. It is anticipated that Blue Spring Road will be offered for dedication to Montgomery Township. However, no assurance can be made that Montgomery Township will accept said dedication. The Homeowners Association is expected to maintain Blue Spring Road until its dedication to Montgomery Township. All other roads and parking areas within Montgomery Woods will be maintained by The MWA.

4. Electric - The Jersey Central Power and Light Company has agreed to provide Montgomery Woods with electric service in sufficient capacity for residential use. The utility will design, construct, operate and maintain the systems and bill the townhouse owners separately for service rendered. MWA will be responsible for the cost of installation. The cost of providing electricity for street lights and other lights on the common property will be the responsibility of the MWA. Construction and installation will be phased in concert with the construction of the townhouses.

5. Telephone - The New Jersey Bell Telephone Company (NJBTC) will provide telephone service to Montgomery Woods with sufficient capacity to service anticipated use. NJBTC will construct, operate, maintain and own the system and bill the townhouse owners separately for service rendered. The cost of the installation will be borne by NJBTC. Construction will be phased in concert with the construction of Townhouses.

6. Drainage - Montgomery Woods will have storm drainage easements and facilities designed to meet the requirements of Montgomery Township. These easements and facilities are designed to provide adequate capacity to service the anticipated population within Montgomery Woods. They will be constructed by MWA and are presently planned to be owned and maintained by MWA. No assurances are given, however, that dedication of said storm drainage facilities to Montgomery Township will not take place at some subsequent time. The construction of the drainage facilities within Montgomery Woods will be phased in accordance with the construction of the Townhouses.

7. Gas - Montgomery Woods gas service will be provided by Public Service Electric and Gas Company (hereinafter, PSE&G). PSE&G will construct, own, operate, maintain and bear the cost of installation of the system. Townhouse owners will be billed separately by PSE&G for service rendered. The system will be constructed in phases along with the construction of the townhouses. Completion of the system so as to be capable of servicing the first 85 townhouses will be prior to the issuance of the first certificate of occupancy by Montgomery Township.

8. Recreation - There are plans, at the present time, to provide recreational facilities in Montgomery Woods consisting of four tennis,- courts, one tot lot, paths and walkways. As presently planned two tennis courts will be completed by late 1985 as part of phase one of Montgomery Woods. The Tennis Courts will eventually serve the entire Montgomery Woods Development.

ITEM 6. Operation and Maintenance of Common Properties and Common Elements

Each purchaser of a townhouse in Montgomery Woods, will acquire automatic membership in MWA. The MWA except as otherwise stated herein, will ultimately be responsible for the operation and maintenance of the common elements and common property which it maintains through contractual arrangements. The common elements and common property for this offering will include the following:

(a) Common Elements including sidewalks, curbs, landscaping, driveways, lawns, exterior above grade walls, roofs, doors, downspouts, gutters, chimneys, and all other similar items and areas which are within any lot and exterior to any Townhouse excluding common property and installed or constructed by MWA as described in the Declaration.

(b) Common Property, including roadway, landscaping, lighting, recreational facilities, fences, signs, pathways, walkways, driveways, and all structural features described in the Declaration and provided however, in the event that the Association offers and the Township of Montgomery accepts the dedication of same then the Association's interest in same will be diminished;

(c) Major Drainage Easements and Facilities, including a detention basin and a connecting channel; provided, however, that in the event the MWA offers to dedicate said facilities and the Township of Montgomery accepts the dedication of same, then the MWA's interest in same will be diminished.

ITEM 7. Control of Operation and Maintenance

Ultimately, MWA through its board of trustees, will control the operation and maintenance of the common property and common facilities.

MWA will be managed by a Board of Trustees. Initially, there will be five (5) members of the Board of Trustees of MWA as named In the Association's Certificate of incorporation, which is included in Exhibit "A".

In order to properly and efficiently develop the lands which will be subject to the Declaration, MWA or its assigns reserve the right to control MWA by appointment of all trustees during the period of development subject to the following limitations:

1. Sixty (60) days after the conveyance to purchasers, who are not developers or builders, of eighty-five (85) of the Lots or Townhouses not less than twenty-five (25%) percent of the members of the boards shall be elected by the votes not controlled by MWA or its assigns.
2. Sixty (60) days after the conveyance to purchasers, who are not developers or builders, of one hundred seventy (170) of the Lots or Townhouses not less than forty (40%) percent of the members of the board shall be elected by the votes not controlled by MWA or its assigns.
3. Sixty (60) days after the conveyance to purchasers, who are not developers or builders, of two hundred fifty-five (255) of the Lots or Townhouses the developer's control of the board shall terminate, at which time the entire Board shall be elected by votes not controlled by MWA or Its assigns.

Notwithstanding the above, MWA or its assigns may retain one (1) member of the Board so long as there are any units remaining unsold In the

regular course of business. Further, MWA or its assigns may surrender control of the board of AMWHA prior to the specified time, provided a majority of the votes not controlled by MWA or its assigns vote to assume control.

The Articles of Incorporation and The By-Laws of The MWA are included in Exhibit "A".

ITEM 8. Proposed Budgets

It will be the obligation of the Board of Trustees of the MWHHA to prepare an annual budget which will be available to all owners, and which shall include all maintenance charges, repairs, replacement and other expenses of the common property and common elements and insurance premiums and services which the association is obligated to pay in the discharge of its responsibilities to the owners. (hereinafter "Maintenance fees")

A copy of the proposed budget, for the MWHHA together with the letter of adequacy by Midstate Management Corporation are attached as Exhibit B. A Copy of the insurance adequacy letter by Buckelew & Associates is attached as Exhibit "C".

ITEM 9. Management Agreement and Other Contractual Agreements

MWA anticipates that the MWHA may enter into an agreement with a management company for the management of common property and common elements located in the property hereby registered. A copy of a potential agreement form is attached hereto as Exhibit "D". MWA has appointed Calton Management Co., Inc. (the "Managing Agent"), a wholly owned subsidiary of Calton Homes, Inc. one of the partners in MWA as the initial managing agent for the common property and common elements prior to that time, when the townhouse owners can elect a majority of the board of trustees. The Managing Agent will not receive compensation for services rendered during this initial period. The agreement with the Managing Agent during this initial period when executed will not be for more than one year and will not be renewable for more than one year periods. Further, the MWHA will have the right to terminate any renewals or extensions of the management agreement as of the time the developer's control terminates.

Until the expiration of any management contracts entered into while the developer maintains a majority of the executive board, a Fidelity bond acceptable to the Department of Community Affairs will be posted in an amount equal to the estimated annual budget.

ITEM 10. Relationship Between the Builder and Managing or Service Agents

MWHA has appointed Calton Management Co., Inc. as the initial managing agent for the common property and common elements prior to that time when the townhouse owners can elect a majority of the Board of Trustees.

Calton Management Co., Inc., is a wholly owned subsidiary of Calton Homes, Inc., one of the joint venture general partners in MWA.

ITEM 11. Declaration of Covenants, Conditions and Restrictions

The proposed Declaration of the MWA will be filed with the Somerset County Clerk. A copy is contained within Exhibit "A". Exhibit "E" contains a copy of the proposed deed to the MWA.

ITEM 12. Statement of Restrictions

Townhouses to be sold in Montgomery Woods will be subject to the terms and conditions of the- Declaration of Covenants, Conditions and Restrictions of MWA. The terms and conditions which are applicable to the MWA are set forth in Exhibit "A" of this statement.

These restrictions do not apply to MWA or any builder or developer engaged in the process of development, construction or maintenance of any portion of Montgomery Woods as part of an agreement with MWA.

Set forth below is a general description of the terms and conditions of the restrictions, but this description is not a substitute for a full and detailed examination of the terms set forth in Exhibit "A" of this Public Offering Statement. The prospective purchaser is urged to review the conditions contained in the MWA documents.

Generally, the restrictions affect all of the real property which is owned by persons other than builders or developers who are constructing townhouses under terms of an agreement with MWA. It provides that, among other things:

- i. No one may do or keep anything in Montgomery Woods which would cause an increase in insurance rates on the common property or common elements within Montgomery Woods without the approval of the Board of Trustees, nor cause any insurance on building structures, common property or common elements of the MWA to be increased in price or cancelled.
- ii. Unless permitted by the Board of Trustees, no one other than a Developer or Builder may subdivide his/her Lot or Townhouse.
- iii. Unless approved by the Board of Trustees, no one may display signs which are visible from their Lot or Townhouse.

- iv. Activities which could be considered "nuisances", which include things such as piling up trash or grass cuttings, burning anything which gives off offensive odors, repairing vehicles and other similar activities, are generally prohibited.
- v. Townhouses must be kept in good repair, and may not be altered without consent of the Board of Trustees.
- vi. Recreational facilities erected for the common benefit of all persons within Montgomery Woods may not be disturbed.
- vii. No one other than the developer shall plant or maintain any matter or thing, upon, in, over or under the common elements without the prior written consent of the Board of Trustees.
- viii. No one other than developer may erect temporary structures, such as tents or shacks or other kinds of storage sheds on the property.
- ix. Hazardous activities are generally prohibited, including, but not limited to, a prohibition on the discharge of firearms or the lighting of open fires on any property, (except barbecues in suitable containments).
- x. The M WHA shall have the right to regulate the use, parking and storage of any vehicles. Generally, it is a violation of the rules to park any vehicle anywhere other than in a designated parking area.
- xi. The Homeowner's Association shall insure the townhouse structure for insurance coverage naming as a loss payee the association, the owner and the mortgagee of the owner, if any, as their interests appear. Any deductible shall be paid by the townhouse owner. This is so as to provide sufficient and

continuous insurance coverage in the event of any casualty to the building structure of any structure to which the MWA is required to repair or restore. However, this insurance does not cover the contents of any townhouse, and purchasers of a townhouse are advised to procure their own individual coverage.

The MWA can enforce all restrictions by several means, including imposing fines, or eliminating the problem and charging the violator the cost of doing so, or barring the violator of the rules and his/her family guests and tenants from use of the common property or seeking a court order to prevent any further violation of the rules.

This brief summary of the restrictions is not intended to be a substitute for a careful reading of The MWA Declaration.

ITEM 13. Instrument of Interest

The form of the Sales Agreement which a purchaser must execute in order to purchase a townhouse is attached hereto as Exhibit "F". A Bargain and Sale Deed with Covenants against Grantors Acts, in the form attached hereto as Exhibit G, shall be delivered to a purchaser at closing to evidence his interest in the townhouse. No membership certificate in The MWA will be issued.

ITEM 14. Trust Account

All monies paid to the builder prior to closing will be held in a separate trust account as follows:

Perry & Blum, Attorneys at Law, attorney trust account. The escrow agent will be Perry & Blum, Esquires, 169 Route 9, Freehold, New Jersey 07228

This account will be held at Midlantic National Bank/Merchants, 60 Neptune Boulevard, Neptune, New Jersey 07753.

Monies paid on deposit will be held in an interest bearing account, for at least seven days or until closing of title, termination of contract or the posting of a bond. In the event of a cancellation or termination of the contract within the seven day period provided for by law, all monies paid on deposit will be returned to the purchaser and the purchaser will return the Public Offering Statement and related documents to the builder. Perspective purchasers are urged to read the contract of sale before signing anything.

Interest on the money will belong to MWA.

ITEM 15. Title Insurance

A copy of a sample title insurance policy which may be issued to purchasers in Montgomery Woods, is contained as Exhibit H.

ITEM 16. Significant Terms of Encumbrances

Montgomery Woods has utility easements to allow for the installation of storm sewers, sanitary sewers, electric lines, gas lines, telephone and television cables and water lines. The property contained in Montgomery Woods is also subject to the Declaration previously referred to herein.

The zoning regulations which affect the property are based on the Montgomery Township Land Development Ordinance, and provide for residential use within the Planned Unit Development as a whole at a maximum gross density of 6 units per gross acre. The average density for this tract is 5.7 units per acre. Montgomery Woods, including dedicated open space and latter phases constructed at differing densities, will therefore be in conformance with the required 6 units per acre when completed.

The property is also presently subject to the following encumbrances, easements and restrictions:

1. Mortgage made by MWA to Calton Homes, Inc. in the amount of \$3,607,000.00 and interest dated December 20, 1983 and recorded February 20, 1984, at Mortgage Book 1334 page 163.

2. Mortgage made by M WA to William C. Baggitt, III Esquire in the amount of \$150,000.00 and interest dated December 20, 1983 and recorded December 20, 1983 at Mortgage Book 1334 page 153 and assigned to The Broad Street National Bank dated February 28, 1984, and recorded March 22, 1984 in assignment of Mortgage Book 127 page 894.

3. Mortgage made by MWA to Princeton Realty Company, in the amount of \$1,164,107.40 and interest dated December 20, 1983 and recorded December 20, 1983 at Mortgage Book 1334 page 141. Said mortgage contains within its terms, an easement granted to the Mortgagee Princeton Realty Company, giving access to and from Montgomery Woods, for the purpose of

continuing development of Montgomery Woods in the event of default by MWA of its obligations as set forth in the mortgage. Said easement will continue in existence until the mortgage is satisfied.

4. It is anticipated that MWA will also have additional construction loans as the project progresses. Said mortgages will provide for the release of the Townhouse prior to conveyance to the respective purchasers.

5. Subject to the easement set forth in Declaration of Easement recorded in Deed Book 1495 page 532. The Declaration by MWA concerns rights of ingress and egress by vehicles and pedestrians across and through the streets and roads contained in Montgomery Woods.

6. Subject to Right of Way Agreement to Transcontinental Gas Pipe Line Corporation as contained in Deed Book 730 page 566 and as later modified and amended in Deed Book 929 page 111 and Deed Book 1171 page 405. This Agreement was between John Bernath and Angilave Judith Bernath predecessor's in title to MWA and Transcontinental Gas Pipe Corporation. The agreement concerns the installation of Gas Pipe Line.

7. MAW's ability to grant drainage easements has to be reserved pursuant to the Declaration of Covenants, Conditions and Restrictions of the MWA.

ITEM 17. Natural Forces Adversely Affecting the Property

Montgomery Woods is not regularly or periodically subject to flooding, drought, earthquakes or other natural forces which would adversely affect the use and enjoyment of the property, nor is it located in a designated flood plain. However, Somerset County Route 605 also known as River Road is subject to occasional flooding as a result of heavy rainfall.

ITEM 18. Adverse Man-Made Forces Affecting the Property

No portion of Montgomery Woods is regularly or periodically subject to man-made forces that would adversely affect the use and enjoyment of the properties; such as airports, railroads, Industrial uses or similar forces. Occasionally, traffic noise can be heard from Somerset County Route No. 605. In addition, there is a quarry operated by Trap Rock Industries which is located in the Borough of Rocky Hill which is approximately one (1) mile from Montgomery Woods. Occasional noise and vibration are generated as a result of blasting which takes place at the quarry. In addition, some dust is generated due to the aforementioned quarry operations. Further, the Princeton Sewage Plant is located nearby and occasional odors can be detected which originate from the plant.

ITEM 19. Taxes Affecting the Property.

Montgomery Woods Phase One

The Township of Montgomery collects real estate taxes based on the assessed valuation of land and land improvements for the County of Somerset, Montgomery Township School District and the Municipality of Montgomery Township.

The estimated real estate taxes on each lot: PHASE ONE:

Assessed Valuation*	Tax Ratio**	Tax Rate (estimated)	Estimated Taxes
Type A 127,000	66.41%	\$3/15/100	\$2,656.00
Type B 122,000	66.41%	\$3.15/100	\$2,552.00
Type C 113,000	66.41%	\$3.15/100	\$29363.00

Assessed valuation would be based on actual selling price at date of closing. The assessed valuation above is the average selling price in each section.

The tax rate and ratio for the current year and the past three years is as follows:

	Tax Ratio	Tax Rate
1984	66.41%	\$3.15
1983	70.89%	\$3.188
1982	75.93%	\$2.925
1981	83.24%	\$2.866

* Assumed Average Price for townhouse. There is a range of prices for townhouses, depending on size, location, and options, and the assumed average price for a townhouse unit may not reflect the actual tax paid by an individual.

** Estimated ratio as of March, 1984.

ITEM 20. Special Taxes or Assessments

MWA knows of no existing or proposed special taxes or assessments to be charged against lots, parcels, or interests in this development. In the event that special taxes or assessments are instituted by any governmental agency, MWA shall be liable to pay those assessments if instituted prior to closing of title with purchaser, and the purchaser will be liable to pay for any assessments made after such closing of title.

ITEM 21. Estimated Settlement Costs

It is anticipated that the purchaser will be required to pay at closing of title the following items of closing costs. These items are estimated and will vary depending upon the actual total purchase price of the townhouse purchased. In addition, these items will vary depending upon the type of mortgage financing

Applied for by the purchaser, if any Title

Insurance ¹	\$ 560.001
Recording Fees ²	\$ 30.00
Insurance ³	\$ 125.00
Association Fees (4 months) ⁴	\$ 268.00
Surveys	\$ 150.00
TOTAL ESTIMATED COSTS ⁵	\$1133.00

1. This is an estimated average cost of obtaining title insurance including title search fees and costs. The estimated costs range from \$460.00 to \$660.00. The actual cost will depend on the specific townhouse purchased.

2. This is an estimate of charges made by the Clerk of Somerset County for recording deeds and mortgages of customary length. The actual charge will vary depending upon the number of pages of the mortgage, if any, required to be filed by the purchaser's mortgagee/lender.

3. This is an estimate of annual insurance premiums which may be required by any mortgagee/lender of the purchaser or desired by the purchaser for insuring items other than the townhouse structure.

4. The initial Association fees contribution is based on 340 Townhouses in the Montgomery Woods. This initial fee shall be equal to four *months assessment two of which shall be held in escrow and two months of which is* a non-refundable contribution to working capital. These payments shall not

be in lieu of regular monthly payments of the Association fee, which shall commence on the first day of the month following the date of purchase.

5. This estimated cost assumes that the survey was supplied by MWA to a purchaser.

6. Note that these estimated settlement costs do not reflect the cost of acquiring financing. Additional costs generated by the lender may substantially increase the settlement costs. Also, there is no figure included here for attorney's fees. The selection of an attorney is the responsibility of the individual townhouse buyer.

ITEM 22. Builder's Warranty

MWA, which is registered as a builder with the New Jersey Department of Community Affairs, and whose registration card has been attached hereto as Exhibit "H", warrants the construction of the townhouse as follows:

- (a) In accordance with the provisions of the New Jersey Home Warranty and Builders' Registration Act, N.J.S.A. 46:38-1 et seq, MWA shall provide each purchaser, subsequent to closing, with insurance-backed warranty coverage and protection as approved by the State of New Jersey and subject to all deductibles now or hereafter authorized.
- (b) In addition to the foregoing, MWA warrants that all outbuildings, driveways, walkways, patios, retaining walls, and fences located on property of Montgomery Woods shall be free from substantial defects, due to material and workmanship for a period of one year from the date of closing or the date of possession, whichever first occurs.
- (c) MWA also warrants that all drainage is proper and adequate.
- (d) MWA also warrants that all townhouses offered hereby are fit for their intended use.
- (e) MWA expressly warrants that the townhouses offered hereby will substantially conform to the sales models, descriptions or plans used to induce a purchaser to enter into a Agreement of Sale Sales Agreement to purchase a townhouse unless noted otherwise in this Public Offering Statement or in the Agreement of Sale, or in the sale models.

- (f) If MWA installs kitchen appliances, a one-year manufacturer's warranty will be provided to each purchaser.

ITEM 23. Other Developments

Calton Homes, Inc., one of the partners in MWA, has constructed several other developments within the State of New Jersey. These include the following:

Brasch Farms Middletown, N.J.	167 Single Family Detached Colonials & Contemporaries
Hickory Knolls Franklin Twp., N.J.	134 Single Family Detached Colonials (adjoining Phase IB to the east)
Grover's Mill Estates Windsor, N.J.	102 Single Family Detached Colonials West
Woodmere at Dover River, N. J.	136 Single Family Detached Colonials, & Toms Ranches
Settler's Landing Barnegat, N.J.	1,200 Single Family Detached Colonials & Ranches & Duplexes
Bayberry Woods Marmora, N.J.	27 Single Family Detached Colonials Ranches
Orchard Mills Pleasantville, N.J.	29 Single Family Detached Colonials
Pinetree Knolls Smithville, N.J.	61 Patio Homes
Townhomes at Quail Brook Franklin, N.J.	110 Single Family Attached townhouses

Neither MWA, nor any of its partners, has constructed any facilities outside the State during the last five (5) years except for developments being built by Calton Homes, Inc. in Orlando, Florida. However, Calton Homes, Inc. is a successor company to Kaufman and Broad of New Jersey, who had a long history of development activity of various types in New Jersey. Attached as Exhibit I is the Builder's Registration Card for the MWA.

ITEM 24. Right to Cancel

THE PURCHASER HAS THE RIGHT TO CANCEL ANY CONTRACT OR AGREEMENT FOR THE PURCHASE OF ANY LCT, PARCEL, UNIT, OR INTEREST IN THE DEVELOPMENT, WITHOUT CAUSE, BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION TO THE DEVELOPER, OR HIS AGENT, BY MIDNIGHT OF THE SEVENTH (7th) CALENDAR DAY FOLLOWING THE DAY ON WHICH A CONTRACT OR AGREEMENT IS EXECUTED AND ALL MONIES PAID WILL BE PROMPTLY REFUNDED.

ITEM 25. Hazard and Liability Insurance

The MWAHA intends to maintain the following coverage:

- (1) A Special Multi-Peril policy will be written which will include the Property and General Liability exposures for the Association.
 - (a) The property insurance will be written on an All Risks form. There will be a \$100.00 deductible per claim. The owner will be responsible for payment of said deductible, which shall be applied towards the cost of repair or replacement. The value of the buildings will be established by the Association based upon full value at the time of construction so as to insure the improvements at replacement value. There will be a valuation clause added to the policy, so that the values of the building will be increased annually based upon increased cost factors of construction.
 - (b) Liability coverage will be written on a Comprehensive General Liability Broad Form. The limits will be \$500,000.00 on a combined single limit, which will cover all exposures normally attributed to an association of this type. Included within the Comprehensive General Liability Form will be Directors and Officers Liability, also with a limit of \$1,000,000.00. Hired and Non-Ownership Liability coverage will also be included.
- (2) Workers Compensation will be written according to statutory requirements by the State of New Jersey. As part of the Workers Compensation Policy, there will be included Broad Form All States coverage and Voluntary Compensation coverage.
- (3) Umbrella Excess Liability will have a limit of 1,000,000.00. This Umbrella Excess Liability will be written as a Follow Form basis for all of the underlying liabilities as previously mentioned.

Item 26 Exhibits

Exhibit A: The Organization Documents for the Montgomery Woods Homeowners Association, Inc. including the Declaration of Covenants, Conditions and Restrictions, By-Laws and Certificate of Incorporation.

Exhibit B: Budget for The Montgomery Woods Homeowner's Association and Budget Adequacy Letter.

Exhibit C: Insurance Adequacy Letter

Exhibit D: Proposed Form of Management Contract.

Exhibit E: Proposed Form of Deed to The Montgomery Woods Homeowner's Association.

Exhibit F: Agreement of Purchase and Sale at Montgomery Woods.

Exhibit G: Proposed Form of Deed Conveying Title in Townhouse from Montgomery Woods Associates to Purchaser.

Exhibit H: Title Insurance Policy for Townhouse at Montgomery Woods Exhibit 1: Builder's Registration Card for Montgomery Woods Associates.