

Heatherwood

NEWTOWN GRANT T.H.-3B HOMEOWNERS' ASSOCIATION

Purchasers Should Read This Document and all Exhibits
Carefully for Their Own Protection

PUBLIC OFFERING STATEMENT

LOCATION OF COMMUNITY: Durham Road, Newtown Township
Bucks County, Pennsylvania

NAME OF SPONSOR: FPA Corporation, a
Delaware Corporation

EFFECTIVE DATE OF
PUBLIC OFFERING STATEMENT: February 28, 1989

IMPORTANT NOTICES:

- A. THIS PUBLIC OFFERING STATEMENT IS FOR INFORMATIONAL PURPOSES ONLY. PURCHASERS SHOULD ASCERTAIN FOR THEMSELVES THAT THE PROPERTY OFFERED MEETS THEIR PERSONAL REQUIREMENTS. NEITHER THE PENNSYLVANIA REAL ESTATE COMMISSION, THE NEW JERSEY REAL ESTATE COMMISSION NOR ANY OTHER GOVERNMENTAL AGENCY HAS APPROVED OR DISAPPROVED THE MERITS OF THIS OFFERING.
- B. BE CERTAIN TO READ ALL DOCUMENTS BEFORE SIGNING ANY OF THEM.
- C. NEW JERSEY REAL ESTATE REGISTRATION NO.

NOTICE TO PURCHASERS RESIDING IN THE STATE OF NEW JERSEY:

YOU ARE ENTITLED TO THE RIGHT TO CANCEL THIS AGREEMENT OF SALE BY SENDING OR DELIVERING WRITTEN NOTICE OF CANCELLATION BY MIDNIGHT OF THE SEVENTH DAY FOLLOWING THE DATE ON WHICH YOU HAVE EXECUTED THE AGREEMENT OF SALE.

New Jersey Broker of Record: Charles Ansert, Jr.
3186 Neil's Court
Mount Laurel, New Jersey 08052

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Sales prices of Homes are available at the Sales Office.

1. INTRODUCTION; DESCRIPTION OF MASTER HOMEOWNERS' ASSOCIATION

FPA Corporation, a Delaware corporation ("Declarant" or "Sponsor"), presents its proposal for ownership of certain real estate located in Newtown Township, Bucks County, Pennsylvania. The Declarant proposes to develop the property and to construct a Home on each Lot in the property. The Owners of Lots and Homes will be members of a homeowners' association known as Newtown Grant Phase T.H.-3B Homeowners' Association (the "Cluster Association"). Homes will be offered by the Declarant for sale to the public.

The property (the "Cluster") is part of approximately 486 acres of land located in Newtown Township, Bucks County, Pennsylvania intended to be developed as a planned residential community known as Newtown Grant (hereinafter called the "Community"). The Community will consist of Clusters of various types of Homes. There is a Master Homeowners' Association (described below) which will operate the Association Recreation Area and facilities and administer certain Community-wide restrictions and requirements. In addition, each Cluster may be administered by the Master Homeowners' Association, with regard to most matters such as general management and operation by reason of delegation of authority and responsibility by Cluster Associations.

The Sponsor ultimately intends to construct a variety of single attached and detached dwellings and dwellings in multi-unit buildings within the Community in the fee simple or condominium form of ownership (collectively, the "Homes"), which Homes are currently estimated to ultimately total approximately 1,751 residential units in the aggregate. The existing local governmental approvals permit the construction of 1,751 residences; however, the Declarant reserves the right to build more or less than 1,751 dwellings in the Community subject to all applicable ordinances and not to exceed the maximum number of units permitted thereby.

All owners of Homes and Lots within the Community regardless of the form of ownership, will automatically be members of the Newtown Grant Homeowners' Association (the "Master Association") and subject to a Declaration of Covenants, Conditions and Restrictions (the "Master Declaration"), the Supplementary Declaration of Covenants, Conditions and Restrictions (the "Supplementary Declaration"), the Articles of Incorporation (the "Master Articles"), the Bylaws (the "Master Bylaws") and the Rules and Regulations attached hereto as Exhibits H, I, J and K, respectively. The Owners of all Homes offered hereunder will also be members of Newtown Grant Phase T.H.-3B Homeowners' Association (the "Cluster Association") and, in addition to the governing documents for the Master Association, will be subject to the provisions of the Cluster

Declaration (the "Declaration"), Bylaws (the "Bylaws"), Articles of Incorporation (the "Articles") and Initial Rules and Regulations for the Cluster Association attached hereto as Exhibits C, D and G, respectively.

This Public Offering Statement consists of two parts, a narrative portion and an Exhibit portion. The Exhibits include legal documents which are required for the creation, further development, marketing and operation of the Homes and the Cluster Association and the Master Association, and proposed operating budget for the Cluster Association. The narrative portion of the Public Offering Statement is intended to summarize the significant features of the Exhibits and also to present other information of importance to the prospective purchaser. In the event of any inconsistency between the Exhibits and the narrative, the provisions of the Exhibits will govern. All capitalized terms used in this Public Offering Statement and not expressly defined herein will have the same meanings as are ascribed to those terms in the Cluster Declaration.

2. DESCRIPTION OF INTEREST OFFERED

Each owner of a Home will own his Lot and Home in fee simple which is the broadest possible type of independent ownership.

In addition to the ownership of the Home, all Home Owners also own a beneficial interest in the Cluster Common Areas owned by the Cluster Association. When a Home Owner sells his interest in a particular Home, he conveys both the Home occupied by him and his beneficial interest in the Cluster Common Areas.

Each Home Owner also owns a beneficial interest in all Common Property owned by the Master Association. These items include the Association Recreation Area and facilities. When an Owner sells his Home, he also transfers his membership interest in the Master Association which includes his beneficial interest in the Common Property of the Master Association.

Each Home Owner may mortgage his Home and his Home is not subject to the lien of any mortgage placed by his neighbors on their Homes. He is also free to lease (subject to restrictions described in Section 8 below), sell and convey his Home by gift or devise, and he may decorate the interior of his Home in any way he desires. Each Home is to be taxed as a separate dwelling for real estate purposes. A Home Owner will not be responsible if any of his neighbors fail to pay the taxes due on their individual Homes. In addition, under current law a Home Owner may claim a deduction for the real estate taxes and the mortgage interest paid on his Home in deriving his taxable income for federal income tax purposes, although certain limitations may apply to the deduction for mortgage interest.

However, such a deduction is generally not available to a resident Home Owner for purposes of calculating his New Jersey or Pennsylvania taxable income.

3. DESCRIPTION OF THE PROPERTY AND THE COMMUNITY

Homes in the Community are restricted to residential use, except that the Declarant may use any unsold Homes and portions of the Master Association Common Property as models, sales offices or management offices.

The plans and specifications for construction are available for inspection at the Sponsor's office and will not be changed so as to materially adversely affect any Purchaser. The Sponsor reserves the right to substitute materials, fixtures, appliances and equipment of substantially equal quality for any of those set forth in said plans and specifications.

The Cluster (Phase T.H.-3B substantially as shown on Exhibit A of the Supplementary Declaration) will consist of approximately 22.150 acres of land divided into 137 Lots, on which the Sponsor intends to construct in smaller construction phases one single attached (townhouse type) Home per Lot.

Water service will be provided by the Indian Rock Water Company and sanitary sewer service will be provided by the Newtown, Bucks County Joint Municipal Authority. Electricity service will be provided by the Philadelphia Electric Company. All utilities will be individually metered to each Home. Fire and police protection are afforded by the Newtown Township Fire and Police Departments.

Sponsor intends to commence construction of the first few Homes in the Cluster in May/June 1989. Barring unforeseen delays, such Homes tentatively are scheduled for completion in February/March 1990. Hereafter, Declarant intends to commence construction of additional Homes upon pre-sale of approximately 50% of all but a few of the Homes then completed or under construction. However, such schedules are merely an estimate and is subject to a number of variables not within Declarant's control, such as the pace of sales activity (which in turn depends in large part on the state of the economy, interest rates, availability of construction and permanent financing, etc.) and construction delays, any of which could accelerate or slow down the schedule.

As set forth above, the Phase T.H.-3B Cluster is part of an overall plan for the development of the Newtown Grant Community. It is contemplated that the Community will ultimately consist of various sections or Clusters of various types of Homes, together with common areas, recreational facilities and roads.

The main entrance to the Community is from Durham Road. Access to Phase T.H.-3B will be available from Hemlock Drive, a road to be constructed by Sponsor and dedicated to the Township of Newtown. North/South Drive Road will be dedicated to Newtown Township. It is also intended that all other interior streets within the Cluster will be dedicated to Newtown Township. All interior streets and parking areas in the Community, excepting those in condominium phases, will be maintained by the Sponsor until the intended street dedications.

The Community is approximately 25 miles from Philadelphia via Interstate 95.

Home Owners in the Community will share the Association Recreational Area and facilities owned by the Master Association with all other residents, but not the general public (although outside memberships for use may be offered). Various Clusters may have separate recreational areas and facilities for use only by residents in the Cluster. None are contemplated for the Phase T.H.-3B Cluster at this time.

The clubhouse and Association Recreation Area are owned by the Master Association. The cost of operation and maintenance of the Association Recreational Area and facilities, as well as the cost of landscaping and maintenance of the grounds surrounding the Association Recreation Area, is borne by all residents of the Community and is included in the Master Association assessments.

Sponsor has conveyed the legal title to the Master Homeowners' Association Common Property (including Association Recreation Area) to the Master Association. The beneficial use of various portions of the Association Recreation Area and facilities will be made available to the Master Association and its members after completion of each such portion as described below. The Master Association shall be obligated to accept such facilities and shall properly maintain the Common Property in accordance with the Master Declaration and Master Bylaws. Further, the Sponsor shall repair, at its sole cost and expense, any structural defect in workmanship or materials or any improvement to said facilities which may occur within one year from the date that same are available for use by the Master Association and its members. Sponsor reserves the right to use portions of the clubhouse for sales and marketing so long as such use does not unreasonably interfere with use by the Owners.

Sponsor intends to construct the recreational facilities in accordance with the schedule below. Sponsor reserves the right to expand the Association Recreation Area at any time. Sponsor reserves the right to add recreational facilities at any time, even though title has been conveyed to the Master Association.

The current schedule of recreational facilities phasing is as follows:

<u>Phase</u>	<u>Facilities</u>	<u>Estimated Time Of Completion</u>
I	Approximately 3,000 square foot pool; splash pool; pool decks; small building with filter room and 2 rest rooms; one-third of proposed parking; and 2 tennis courts.	(Completed)
II	Two tennis courts; shuffle board court; volleyball court; second one-third of proposed parking; and restoration of stone house as follows: First floor - entrance hall; 2 toilet rooms; lounge; card room; and small multi-purpose room. Second floor - private office; office and reception area; storage room; and large multi-purpose room.	(Completed)
III	Addition to clubhouse of at least 2,400 square feet and remainder of parking and softball field.	(Completed)

The Cluster Common Areas constitute all of the Cluster other than the Homes and Lots. The following items are the major Common Areas of the Cluster: all of the open space, basins and drainage facilities as shown on Exhibit C of the Cluster Declaration.

4. THE SPONSOR

The Sponsor is FPA Corporation, a Delaware corporation, the stock of which is traded on the American Stock Exchange.

The Sponsor has developed residential housing for many years in the Philadelphia metropolitan area, New Jersey and Florida. Projects in which Sponsor is involved include the following:

The World of Palm-Aire, Pompano Beach, Florida
Delaire Landing, Philadelphia, Pennsylvania
The Hunt Club, Gloucester, New Jersey
Colt's Neck Estates, Gloucester, New Jersey

The Sponsor presently intends to provide the initial sales and marketing services for the Homes through A.P. Orleans, Inc. of Pennsylvania, a corporation related to and controlled by certain principals of Sponsor.

5. TERMS OF THE OFFERING; CLOSING

Offering prices for all Homes in the initial phase of the Cluster have been tentatively established at this time and will be subject to change at any time prior to execution of Agreements of Sale for such Homes. Prices are available at the Sales Office. Different Purchasers may pay different prices for similar Homes at the sole discretion of the Declarant. All prices may be changed without notice at any time, at the sole discretion of the Declarant. Of course, prices in executed Agreements of Sale cannot be changed except as set forth in such Agreements.

Deposits of portions of the sales price under Agreements of Sale shall be held in an escrow account and will be returned to the Purchaser without interest if the Purchaser lawfully cancels the Agreement. Funds covered by bond or letter of credit need not be held in escrow.

A Home Purchaser may apply for financing from any institutional lender or may pay all cash at settlement.

In order to enable Purchasers to obtain financing, the Rider to the Agreement of Sale provides that prospective Purchasers will be entitled to a period as set forth therein in order to obtain any mortgage financing desired. Applications for mortgage financing must be made immediately after the Buyer's execution of the contract, for a mortgage commitment in the amount set forth in the Rider, or such lesser amount as Purchaser accepts. Purchasers are required to use their best good faith efforts to obtain a commitment for such loan and promptly to execute all required documents and provide all required information necessary to allow prompt processing of all mortgage loan applications. The failure of the Purchaser to act in accordance with the preceding two sentences constitutes a default under the Agreement of Sale unless the Purchaser notifies the Declarant within the period set forth that the Purchaser no longer intends to acquire mortgage financing. If a Purchaser should be unable to obtain a mortgage commitment in the principal amount indicated in the Rider, with interest, term of amortization, type of mortgage, settlement costs and service

charge for such loan to be at currently prevailing rates and terms, the Purchaser may cancel the Agreement of Sale upon written notice to the Declarant given within the period set forth; provided, however that the Declarant may, at its option, endeavor to secure the desired mortgage loan to the Purchaser. A Purchaser will be entitled to a complete return of the Deposit Money (without interest) in the event that financing has not been obtained at the time the mortgage contingency period expires and if the Purchaser so notifies the Declarant in accordance with the terms of the Agreement of Sale.

At settlement, the Purchaser will be required to pay, in addition to the purchase price of the Home, the settlement costs which are identified in the Agreement of Sale, including, without limitation, title insurance and mechanics' liens, insurance premiums, recording fees, 50% of total transfer taxes and customary charges and deposits. If Purchaser obtains a mortgage loan, it is likely that Purchaser also will have to pay an application fee, costs of a credit report, deposit, appraisal, mortgagee title insurance and any other fees, costs or deposits required by the mortgagee. These payments may include, but are not limited to, escrows for taxes and insurance, prepaid interest and other charges incidental to a mortgage loan closing.

In addition, the Purchaser will be required to make nonrefundable initial capital contributions to the Master Homeowners' Association equal to one-fourth (1/4) the estimated annual assessment and to the Cluster Association equal to one-fourth (1/4) the estimated annual assessment for common expenses of his Home. The general purpose of these contributions is to provide for certain prepaid items (e.g., costs) and working capital. These payments are not to be credited as an advance payment of monthly common expenses. Declarant may prepay such sums in which case the Purchaser will reimburse the Declarant at the closing.

Although settlement may be delayed by events not within the Declarant's control, settlement will ordinarily occur when the Home is ready for occupancy and the Purchaser has obtained financing. If the Purchaser fails to make timely and proper application for a loan or fails to complete settlement on a Home as required, the Declarant may cancel the Agreement of Sale and keep all sums deposited by the Purchaser in connection with the Agreement. If the Purchaser is unable to obtain financing as provided in the Agreement of Sale after compliance with the requirements of the mortgage contingency provisions of the Agreement, the Declarant will refund the Purchaser's escrow Deposit in full, without interest.

A Pennsylvania fee simple special warranty deed in the form attached hereto and made a part hereof as Exhibit F shall be delivered to the Purchaser at the closing to evidence his

interest in his Home. No membership certificate in the Master Homeowners' or Cluster Association is issued. A copy of the Agreement of Sale, attached hereto and made a part hereof as Exhibit A will have to be signed by the Purchaser in order to purchase his Home.

In the Agreement of Sale, the Purchaser acknowledges receipt of copies of this Public Offering Statement and the Exhibits; agrees to be bound by the terms of the Governing Documents; and grants to the Declarant the right to amend the Governing Documents prior to the Settlement Date without, in most cases, obtaining the Purchaser's written consent.

The named Purchaser under the Agreement may not assign the Purchaser's right to purchase the Home without the consent of the Declarant.

The Declarant assumes the risk of loss or damage to the Home until settlement.

6. GOVERNING DOCUMENTS

The basic form of Agreement of Sale to be used by the Declarant is included as Exhibit A attached hereto. A Specimen Unit Owner's Title Policy is attached as Exhibit B.

The ownership, use and occupancy of the Homes in the Cluster are governed by certain regulations, covenants and restrictions contained in the Declaration (Exhibit C of this Statement), Bylaws, Articles (Exhibit D of this Statement), and Rules and Regulations to be promulgated by a governing Board (Exhibit G of this Statement). These documents, taken together, are known as the Governing Documents of the Cluster Association. The ownership, use and occupancy of all Homes and Lots in the Newtown Grant Community are governed also by certain regulations, covenants and restrictions contained in the Master Declaration and the Supplementary Declaration (Exhibit H of this Statement), Master Bylaws (Exhibit J of this Statement), Master Articles (Exhibit I of this Statement) and Rules and Regulations that may be promulgated by a governing Board of Directors, whose responsibility it is to manage the Master Association. The initial Homeowners' Association rules and Regulations are attached as Exhibit K of this Statement. These documents, taken together, are known as the Governing Documents of the Master Homeowners' Association. It is important that you read and attempt to understand each portion of the Governing Documents prior to your purchase, so that no restriction or obligation placed upon you because of the documents will come as a surprise, after you purchase.

By purchasing a Home, you automatically agree to abide by all the Governing Documents and all of the rules and Regulations which may be promulgated by the Board of Directors of the Cluster Association or Board of Directors of the Master Homeowners' Association at later times.

7. EASEMENTS AND ENCUMBRANCES

In addition to the Master Declaration and the Supplementary Declaration, the Cluster will be subject to the normal utility easements for water, sewer, gas, electric, cable TV and telephone lines. In addition, the Cluster will be subject to certain easements created by the Cluster Declaration and the Master Declaration including, inter alia, the following:

(1) By virtue of an easement for encroachments, Home Owners and the Cluster and Master Associations are protected in the event that a Home or Cluster Common Area encroaches upon another Home or Common Area.

(2) The Declarant may use any Homes as models or as sales or management offices and may place advertising signs within the Cluster.

(3) Declarant is given an easement with respect to portions of the Cluster and Master Association Common Property not within a Building (A) to maintain and correct drainage of surface water, and (B) to develop adjacent real estate.

(4) The Cluster property is presently subject or will be subject to the lien of the following mortgages:

\$5,000,000 to Chase Manhattan Bank, N.A., dated March 5, 1985. The Declarant will cause the lien of this mortgage to be released on any Home sold prior to the conveyance of the Home. The Homes will be conveyed free of any liens other than those placed on the Homes by the Purchaser.

(5) Every Owner shall have a perpetual and nonexclusive easement in, over and through the Master Association Common Property and to use the roads, walks and other common facilities therein for their intended purposes.

(6) The Declarant is given an easement in, upon, over, under, across and through the entire Community for the purpose of installation, maintenance, repair and replacement of (i) all sewer, water, power, gas and telephone, pipes, lines, mains, conduits, waters, poles, transformers, master television antennas or cable television facilities and any and all other equipment or machinery necessary or incidental to the proper functioning of

any utility systems serving any part of the entire Community; or (ii) any other improvements thereto, including the right of ingress and egress. The Master Association is given a similar easement on a perpetual basis in connection with the proper discharge of its responsibilities with respect to the Homes, Clusters or Common Property.

(7) A blanket, perpetual and nonexclusive easement of unobstructed ingress and egress in, upon, over, across and through the entire Community is established for the Township of Newtown and the Master Homeowners' Association, their respective officers, agents and employees and for all policemen, firemen and ambulance personnel in the proper performance of their respective duties.

(8) Every Home and Lot Owner shall also have the benefit of and be subject to the following:

(a) A perpetual and nonexclusive easement for use as a roadway for street purposes and ingress, regress and egress to his Home or Lot in, upon, over and across all roads constructed or to be constructed or installed anywhere upon the entire Community.

(b) A perpetual and nonexclusive easement to use and maintain all pipes, wires, ducts, cables, conduits, public utility lines and other common facilities located on any portion of the entire Community which serve the Home or Lot of an individual Owner(s). The Master Association or its representative shall have the right of access to each Home to inspect the same in order to correct any conditions threatening another Home or violating any provision set forth in the Master or Cluster Association Governing Documents, provided that notices of entry are made in advance and that any such entry is at a time reasonably convenient to the Owner. In case of an emergency, such right of entry shall be immediate, whether the Owner is present at the time or not.

(9) Any Participating Mortgagee, its officers, agents, and employees, are given a blanket, perpetual and nonexclusive easement to enter the Community or any part thereof other than Homes to inspect the condition and repair of the same. This right shall be exercised only during reasonable daylight hours, and then, whenever practicable, only after advance notice to and with the permission of the Master Association.

(10) Any utility company or entity furnishing utility service, including master or cable television or security service to the Community, its agents and employees are given a blanket, perpetual and nonexclusive easement to enter the Community, or any part thereof, in order to read meters, service or repair

utility lines and equipment and do everything and anything else necessary in order to properly maintain and furnish utility service to the Community and Homes.

(11) The Declarant and Owners, their successors and assigns are given a blanket, perpetual and nonexclusive easement in common in, upon, over, under, across and through the Community for surface water runoff and drainage caused by natural forces and elements, grading, and/or the improvements located upon the Property. No individual Owner shall directly or indirectly interfere with or alter the drainage and runoff patterns and systems within the Community.

(12) Pursuant to Article IX of the Master Declaration as supplemented by the Supplementary Declaration, Entrance Easement Areas and Buffer Easement Areas are created. No such areas exist in the Cluster. Pursuant to Article VII of the Declaration, there are certain easement and open areas shown on Exhibit C of the Declaration. There are also access easements in the Cluster. No structure, temporary or permanent, fencing, landscaping, pools or other obstruction shall be placed within these areas.

(13) The Homes will be conveyed together with and subject to the objections to title set forth in the Specimen Title Report attached as Exhibit B.

8. RESTRICTIONS ON TRANSFER, OCCUPANCY OR USE

There are no restrictions on resale of a Home by the Owner. Leasing of Homes is subject, however, to the following restrictions. No Home may be leased initially for less than a six (6) month term other than Homes owned by the Declarant or a Permitted Mortgagee. All leases must be written and must provide that failure to comply with the Governing Documents constitutes a default under the lease.

In addition to the restrictions upon the use of Homes discussed earlier in this Statement, the Governing Documents impose, inter alia, the following restrictions on use and occupancy:

(a) All of the property in the Cluster, except the Cluster Common Area, shall be used, improved and devoted exclusively to residential use and no Lot shall contain more than one building which shall be devoted to such residential purposes and occupied only by a Single Housekeeping Unit; provided, however, that Declarant may maintain on the property a construction office, sales office and sample units.

(b) No nuisance shall be permitted to exist or operate upon any property so as to be detrimental to any other property in the vicinity thereof or to its occupants; provided, that it shall not be deemed a nuisance for Declarant to construct, maintain, sell and display Homes.

(c) No Lot having once been sold to an Owner shall be further subdivided or separated into smaller Lots by any Owner.

(d) The Environmental Review Board of the Cluster Association has the right to adopt rules including but not limited to rules to regulate animals, antennas, signs, storage and use of recreational vehicles, storage and use of machinery, use of outdoor drying lines, trash containers, planting, maintenance and removal of vegetation on the Cluster Properties and such other matters consistent with and supplemental to the Governing Documents.

(e) Each Owner shall keep all Lots owned by him, and all improvements therein or thereon, in good order and repair and free of debris including, but not limited to, the pruning and cutting of all trees and shrubbery, the mowing of lawns and the painting (or other appropriate external care) of all Buildings and other improvements, all in a manner and with such frequency as is consistent with good property management.

(f) There shall be no obstruction of access to the Master Association Common Property and no interference or obstruction with the exercise of easements and rights under the Governing Documents.

(g) No building, shed, shack, fence, wall, addition, porch, patio, deck, pool, structure or other exterior improvements shall be commenced, constructed, erected, placed or maintained upon the Cluster Property, nor shall any exterior addition to or change or alteration therein or thereof be made by anyone, other than by Declarant until final plans and specifications showing the nature, kind, shape, height, materials, colors, dimensions, and location thereof have been submitted to and approved in writing by the Master Association Covenants Committee as to harmony of external design, conformity with the provisions of the Master Declaration, and location in relation to surrounding structures and topography. The Master Association Covenants Committee may, from time to time, and in its sole and absolute discretion, adopt, amend and repeal, by majority vote or written consent of its members, rules and regulations, to be known as "Covenants Committee Rules." Said rules shall interpret and implement the Master Declaration by setting forth the standards and procedures

for Covenants Committee review and the guidelines. For certain work or changes, the additional approval of the Cluster Environmental Review Board may be required.

(h) Each Owner shall promptly furnish, perform and be responsible for, at his own expense, the repair, maintenance, replacement and decoration of the interior of his own Home, including painting, wallpapering, paneling, floor covering, draperies, window shades and appliances, and shall maintain the interior and maintain the exterior of the Home in a clean, sanitary and attractive condition and state of repair.

(i) Nothing shall be done or kept in any Home or any Lot which will increase the rates of insurance on any Building(s) or the contents thereof beyond the rates applicable for Homes, without the prior written consent of the Master Association Covenants Committee. No Owner shall permit anything to be done or kept in his Home or in or upon the Common Property which will result in the cancellation of insurance on any of the Buildings or the contents thereof, or which will be in violation of any law.

(j) No clothes, sheets, blankets, laundry of any kind or any other articles shall be hung out or exposed on any part of the Property nor shall anything be hung, painted or displayed on the outside of the windows (or inside, if visible from the outside) or placed on the outside walls or outside surfaces of doors of any of the Buildings without the prior written consent of the Master Association Covenants Committee. Window air conditions are prohibited. Externally mounted television or radio antennas are not permitted.

(k) No obnoxious or offensive activities shall be carried on, in or upon the Property or in any Home nor shall anything be done therein either willfully or negligently which may be or become an annoyance or nuisance to the other residents or which interferes with the peaceful possession and proper use of the Property by its residents. All valid laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction over the Property shall be observed.

(l) No commercial vehicles, disabled vehicles, boats, trailers, campers, mobile homes, or trucks may be parked on any part of the Property except (i) in a closed garage not visible from outside the garage; and (ii) for those vehicles temporarily on the Property for purposes of servicing the Property itself or one of the Homes. No repairs to motor vehicles of any kind shall be made except in enclosed garages. Unlicensed vehicles are prohibited.

(m) No sign or billboard of any kind shall be displayed to the public view on any Lot, except for (i) directional signs established by the Declarant or the Homeowners' Association; (ii) signs for each Home in the Cluster after the expiration of two (2) years from the date of conveyance of the Home by Declarant, which may be placed thereon by the Owner of the particular Home for the purpose of advertising the Home for sale or rent, which signs shall not be larger than is reasonable and customary in the area for the purpose of advertising similar property for sale or rent; (iii) signs used by Declarant, its successors or assigns, to advertise the Property; or (iv) subject to rules and limitations established by the Master Association Covenants Committee, small signs customarily incidental to the uses permitted.

(n) No towers, antennas, aerials, or other facilities for the reception or transmission of radio or television broadcasts or other means of communication shall be erected and maintained or permitted to be erected and maintained on any Home, except by installations inside of structures constructed on said Home, or by underground conduits. No other types of appliances or installations upon the roofs or sides of any Building situated upon a Lot shall be permitted unless they are installed in such manner that they are not visible from neighboring property or adjacent streets and are approved by the Master Association Covenants Committee. No burglar alarms, fire alarms or similar devices shall be installed on the exterior of any Homes unless otherwise required by Newtown Township.

(o) No Owner will interfere with the established drainage pattern over his Lot from adjoining or other Lots, and shall make adequate provision for proper drainage from any such other Lot in the event the established drainage over his Lot is changed or altered.

(p) For additional restrictions, see the Initial Rules and Regulations of the Master Association and the Cluster Association, attached hereto as Exhibits K and G, respectively.

9. CLUSTER HOMEOWNERS' ASSOCIATION AND MASTER ASSOCIATION

The Association is the organization responsible, in the first instance, for governing the Cluster. Each Home Owner will have one vote in the Association, but the Declarant has three votes for each Lot owned.

The Cluster Association will be administered by a Board of Directors, which shall have five members, although the Board initially delegates almost all of its powers and duties to the Master Association pursuant to Article VIII of the Declaration. It is anticipated that all Clusters in the Community will make a similar delegation to enable the Master Association to perform services for the entire Community efficiently and economically. The Board retains the power and duty to administer, change, add to or delete restrictions or requirements with regard to the physical aspects, occupancy and use of the Cluster Property or the granting or withholding of approvals with regard thereto. The Home Owners will participate directly in the important policy decisions of the Association, but they vote in the Master Association only through the Delegate for the Cluster. The Declarant appoints a majority of the Board members of the Association until the earlier of (i) December 31, 1993, or (ii) the conveyance of 75% of the Homes to Purchasers.

The Board elects the officers of the Association. The officers are a President, Vice President, Secretary, Treasurer and any other officers the Board may deem necessary. The President and Vice President must be members of the Board.

The Governing Documents provide for a limitation on the liability of members of the Board and officers of the Association and Master Association against all the expenses and liabilities which they may incur, absent their willful misconduct or gross negligence, in the performance of their duties.

Article IV of the Master Bylaws provides that there will be seven members of the Master Board of Directors, but until the first annual meeting, the Board will consist of three members appointed by the Declarant. The first annual meeting will be called after 600 Homes are conveyed to Purchasers (but not later than September 1990) and at such meeting two directors will be elected by Delegates, other than the Declarant, and five directors will be appointed by the Declarant. When Owners, other than the Declarant, are entitled to cast 50% of the votes in the Master Association, one of the appointed directors shall resign and the Home Owners, through the Delegates, will elect another director. After Owners, other than the Declarant, hold 75% of the votes in the Master Association or the expiration of ten (10) years after the recording of the Master Declaration, whichever occurs first, the remaining directors appointed by the Declarant shall resign and their replacement shall be elected by the Delegates, except that the Declarant shall be entitled to appoint one of the seven directors as long as the Declarant owns one or more Homes and holds the same for sale in the ordinary course of business or owns a portion of the Community intended to be developed as part of the property subject to the Master Declaration. The directors will hold office for two years and

the terms will be staggered with three directors elected in one year and four directors elected in the next year.

Article V of the Master Bylaws provides very broad powers for the Master Board of Directors and describes the duties imposed on the Board with regard to the administration of the affairs of the Master Homeowners' Association and the operation and maintenance of the Association Recreation Area and facilities. It is also provided that the Board may assume delegated duties from various Clusters and a request for such services from any Owner.

Article IX of the Master Bylaws provides for the Master Board to appoint a five member Covenants Committee to establish rules and guidelines for exterior alterations to Homes and improvements on Lots subject to their jurisdiction and to administer the applicable rules and regulations regarding the same.

The Sponsor has caused the Master Association and may cause the Cluster Associations to enter into a Management Agreement with a professional management company (in the form attached hereto as Exhibit L, or a form substantially similar thereto), which may be affiliated with Sponsor. Such Agreement is on terms reasonably competitive with terms of similar agreements for similar projects in the Philadelphia area.

10 FINANCIAL MATTERS AND BUDGETS

A prospective annual budget has been prepared for the Association by the Master Association and will include the Master Association budget for Cluster Annual Assessments. The expenses giving rise to Master Association Cluster Annual Assessments shall be common expenses of the Association. The expenses giving rise to Master Association Special Cluster Assessments shall also be common expenses of the Association. The Board shall formally resolve to adopt such budget and assessments as the Association budget and the Board annual and/or special assessments of common expenses of the Association or amend and revise the same.

Common expenses arising from non-delegated powers and duties of the Board shall be communicated to the Master Association for inclusion in the prospective budget.

In order to aid the Master Association in enforcement and collection of any type of Master Association Assessments against the Association or its Members, such Assessments shall be deemed to be assessments of common expenses by the Board.

It is contemplated that the Master Association will collect all common expense assessments, disburse all payments of common expense and otherwise handle all fiscal affairs for and on behalf of the Association.

The budgets will cover all anticipated common expenses for the upcoming fiscal year. The budget will also include whatever amount the Board considers necessary as an adequate reserve to provide for unforeseen contingencies, working capital and repair or replacement of Cluster Common Areas and facilities.

The Sponsor has prepared a proposed budget for the first year of the operation of the Cluster Association. A copy of the budget is attached to this Public Offering Statement as Exhibit E. The budget figures are, of course, estimates and the Sponsor cannot be certain that sufficient funds have been budgeted to cover all Common Expenses that may be incurred. The figures were obtained, however, with the assistance of professional community management consultants and the Sponsor believes that the figures represent the best estimates obtainable. In the event that insufficient funds are budgeted for any given fiscal year, the Board may levy one or more special assessments to make up the budget deficit.

A Unit Owner must pay directly all of the costs of maintenance and repair for his own home and the charges for utilities.

All of the amounts assessed against a Home give rise to a lien on that Home. The Home Owner cannot dispose of his Home free of the lien until the lien is satisfied by payment of the assessments secured by the lien. The Cluster Association and/or Master Association may obtain payment of past due assessments by foreclosure of the lien (resulting in a forced sale of the Home or by suing the Home Owner. If any assessments are past due for more than sixty days, the Board and/or Master Association may accelerate the payments (i.e., declare immediately due and payable the total amount to be assessed against the Home Owner for that fiscal year in accordance with the then current budget).

Article IV of the Master Declaration deals with Master Association assessments which are liens against the Homes until paid. There are three types of annual assessments. Certain expenses, such as costs of administration of the Master Association, security service and operation and maintenance of the Association Recreation Area apply on an equal basis to all Homes in the entire Community. Therefore, the annual assessments will include General Annual Expenses which will be charged against each Home on an equal basis.

Annual assessments will also include Cluster Annual Expenses which will include the costs and expenses for performance on a regular annual basis of services to the Cluster pursuant to the delegation of duties under the Cluster Declaration to the Master Association. Assessments with regard to such costs will vary from Cluster to Cluster, depending on the services provided to each particular Cluster and will be reflected in the Cluster Association budget.

Finally, expenses or portions thereof benefitting or otherwise assessable against fewer than all of the Homes or Owners in a Cluster shall be assessed if recurring on a regular basis, as Individual Annual Assessments exclusively against the Homes or Owners benefitted.

Section 5 of Article IV deals with special assessments. Special assessments can be General Assessments assessed equally against all members of the Master Association, if appropriate; Cluster Assessments assessed only against a particular Cluster benefitting from such assessment; or Individual Assessments assessed against individual Home Owners if the cost benefits or is otherwise assessable against a particular Home Owner.

The Association has the right to agree by contract to perform services for individual Home Owners. The costs of such services are to be charged to the Home Owner requesting such service as Individual Assessments.

11. INSURANCE

The Board will obtain or cause the Master Association to obtain master liability insurance policies to protect the Cluster Association and, to a certain limited extent, the Home Owners as individuals.

The Cluster Association and Members will be insured against liability arising from ownership or use of the Cluster Common Areas. This coverage will not insure Unit Owners against liability arising from an accident or injury occurring on a Lot or within a Home or liability arising from the act or negligence of a Home Owner.

The Board will also cause the Association to obtain appropriate worker's compensation insurance and fidelity coverage to protect against dishonest acts on the part of officers, Board members, trustees and employees of the Cluster Association, the Master Association and all others who handle funds of the Cluster Association.

The Sponsor strongly recommends that each Home Owner obtain insurance coverage on his Home, personal property and liability exposure not covered by the Cluster Association policy.

12. TAXES

Real property taxes are levied separately against individual Homes and each Home Owner will be responsible for the payment of the taxes on his own Home. The assessed value of Homes is presently unknown since the tax assessor cannot assess Homes until construction is complete.

As of the effective date of this Public Offering Statement, real property in Newtown Township, Bucks County is assessed at approximately 6.5% of its fair market value, and as of January 1, 1989, is taxed at a rate of 214.40 mills per thousand.

Estimates of the monthly real estate taxes applicable to each Home are available from the marketing staff. Sponsor can make no guaranty with respect to these tax estimates since governmental departments over which Sponsor has no control have the duty to determine the manner of assessment and amount of taxes.

13. WARRANTIES

The Sponsor will transfer to the Home Owner at settlement all manufacturers' warranties on appliances sold with the Home. The Sponsor will provide to all Purchasers of Homes a standard form of 10 year Home Warranty Insurance Policy ("HOW") as authorized by the National Association of Home Builders Warranty Corporation or its substantial equivalent in a comparable program. No other warranties are given.

EXCEPT AS SET FORTH ABOVE, THE HOME AND ALL PERSONAL PROPERTY TO BE SOLD IS SOLD "AS IS," WITHOUT WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESSED OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR HABITABILITY.

14. INSPECTION OF THE HOME

Prior to settlement on a Home, the Sponsor will notify the Home Purchaser that his Home is ready for inspection. The Purchaser will then be permitted to inspect his Home and note any defects. See the Agreement of Sale for the responsibilities of the parties with regard to such defects.

15. PENDING LITIGATION

As of the effective date of this Public Offering Statement, there are no judgments against the Cluster or Master Association nor is either Association a party to any pending litigation. Sponsor knows of no litigation, currently pending or

threatened, which could materially adversely affect the Community.

16. GENERAL INFORMATION

Any information or data regarding the Community, the Cluster or the Homes not presented in this Public Offering Statement or contained in the Exhibits must not be relied upon. No person has been authorized by the Sponsor to make any representation not expressly contained herein. This presentation may not be changed or modified orally.

The Sponsor reserves the right to change the terms of this Public Offering Statement as they affect potential Purchasers not then under contract, provided, however, that any such change shall not affect the substance of the Public Offering Statement with respect to prior Purchasers or Purchasers under contract.