

**Hearthstone at Woodfield
Pemberton New Jersey**

March 4, 2008

Dear Neighbors,

As you may know the Board of Trustees has established an ADR committee to settle conflicts between neighbors or the board and neighbors.

Attached to this note is the resolution the board passed at the last meeting that gives the guidelines under which this committee will operate.

Please file this with your other documents about the Home Owners association.

If you have any questions please don't hesitate to contact a board member.

**Thank you,
Your BOT**

RESOLUTION

WHEREAS, the Board of Trustees of THE HEARTHSTONE AT WOODFIELD HOMEOWNERS ASSOCIATION believe that conflicts which arise between homeowners and between homeowners and their association are best resolved by way of negotiation and mediation rather than litigation; and

WHEREAS such "Alternative Dispute Resolution" (ADR) is faster, friendlier, less expensive and often more effective than resorting to the courts to resolve disputes; and

WHEREAS the New Jersey Planned Real Estate Development Full Disclosure Act (N.J.S.A. 45:22A-44c) requires that "an association shall provide a fair and efficient procedure for the resolution of disputes between individual unit owners and the association, and between unit owners, which shall be readily available as an alternative to litigation";

BE IT THEREFORE RESOLVED that the following ADR procedure is hereby adopted by the Board of Trustees of THE HEARTHSTONE AT WOODFIELD HOMEOWNERS ASSOCIATION at its meeting on the 18th of February, 2008, and shall be added as Section F of the Association's Rules and Regulations:

Section F. ALTERNATIVE DISPUTE RESOLUTION (ADR)

1. Applicability This ADR procedure shall apply to all housing-related disputes which arise between unit owners, as well as between unit owners and the Association. Although ADR must be offered in all such situations, acceptance of and participation in the ADR procedure is voluntary on the part of all unit owners. This ADR procedure shall not apply to disputes regarding payment of assessments, penalties, fines and fees.

2. Method The ADR method to be offered by the Association shall be "mediation". Mediation, unlike arbitration and litigation, is an informal, cooperative, problem-solving approach to conflict resolution. It provides for a neutral mediator to assist the parties negotiate a settlement of their dispute which is agreeable to all involved.

3. Mediator The neutral party who shall act as the mediator of the aforesaid housing-related disputes shall be a panel of residents from the Association known as the "ADR Panel". The panel which will mediate any given dispute shall consist of no less than three (3) but no more than five (5) persons, but nothing shall prevent the overall number of panel members from being greater than five (5) (i.e. substitutes and alternates are encouraged). No panel member who has any direct interest or involvement in the dispute to be mediated shall serve as a panel member with regard to that dispute, nor shall any current member of the Board of Trustees of the Association be permitted to serve as a panel member. In the event that less than three (3) panel members are available to mediate a dispute, the parties involved may agree to allow that panel to mediate the dispute. If all parties do not so agree, the Association shall hire a professional mediator to mediate the dispute, in which event the cost of hiring the professional mediator will be borne by the Association.

4. Procedure

a. Dispute between unit owners

i. Upon formal notice to the Association from a unit owner that a dispute exists with another unit owner, the property manager shall contact all parties to determine the nature of the dispute and to attempt to quickly and informally resolve the dispute.

ii. If the efforts by the property manager described in (a) above are not successful within three (3) days, the property manager shall send formal written notice to the parties involved acknowledging that a dispute exists, identifying the nature of the dispute, and offering ADR-Mediation to the parties involved.

iii. If a party accepts the Association's offer of ADR-Mediation, that party shall notify the property manager in writing within five (5) days. Upon receipt of said acceptance by all parties, the property manager shall promptly schedule an ADR-Mediation hearing, which shall be held no later than fourteen (14) days from the date the property manager receives acceptance from all parties involved.

iv. In a dispute involving more than two parties, if less than all parties agree to ADR-Mediation, the hearing may still go forward only if those parties participating agree that such mediation would be beneficial. In a dispute involving only two parties, if less than both agree to ADR-Mediation, then the Association's offer of ADR will be withdrawn. If the ADR offer is withdrawn and the dispute involves a violation of the Rules, Regulations and Restrictions of THE HEARTHSTONE AT WOODFIELD HOMEOWNERS ASSOCIATION, the Association will proceed to enforce said Rules, Regulations and Restrictions pursuant to its enforcement powers as outlined elsewhere in the Public Offering Statement (POS) of the Association and as otherwise provided by law.

b. Dispute between a unit owner and the Association

i.(1) In the event that a unit owner violates a Rule, Regulation or Restriction of the Association, the property manager shall notify the unit owner in writing of the violation and request that the unit owner immediately correct the violation. The notice shall also inform the unit owner of the option to resolve the dispute by way of ADR-Mediation.

i.(2) In the event that a unit owner claims that the Association has failed to act properly or has acted improperly with regard to the exercise of its duties, responsibilities and powers, the unit owner shall notify the Association in writing of the claim. The property manager shall investigate the claim and promptly respond to the unit owner in writing, clearly stating the Board's position with regard to the claim. This notice shall also inform the unit owner of the option to resolve the dispute by way of ADR-Mediation.

ii. If the unit owner accepts the Association's offer of ADR-Mediation, he/she must do so in writing to the property manager within five (5) days. Upon receipt of said acceptance by the unit owner, the property manager shall promptly schedule an ADR-Mediation hearing which shall be held no later than fourteen (14) days from the date the property manager receives written acceptance from the unit owner.

iii. If the unit owner does not timely respond to the Association's offer of ADR, or affirmatively declines, then the Association's offer of ADR will be withdrawn. In the event the offer of ADR is withdrawn, the Association will proceed to enforce its Rules, Regulations and Restrictions pursuant to its enforcement powers as outlined elsewhere in the Public Offering Statement (POS) of THE HEARTHSTONE AT WOODFIELD HOMEOWNERS ASSOCIATION and as otherwise provided by law.

c. The Mediation hearing

i. The hearing shall take place at the Association's Property Manager's office or, in the event that the office is unavailable, at a neutral site agreeable to all parties involved.

ii. All unit owners involved in the dispute must attend. In disputes involving the Association, the property manager or other designated representative shall attend on behalf of the Board of Trustees. Members of the Board of Trustees may also attend.

iii. The property manager shall designate the particular ADR panel members who shall mediate the dispute, and those members shall attend.

iv. The unit owners involved in the dispute may have legal counsel present with them at the hearing, although it is not necessary nor required to do so.

v. The conduct of the hearing shall follow these general guidelines (i.e. flexibility in the conduct of the hearing is permitted if likely to achieve a positive result):

- the designated chair of the panel shall give brief opening remarks, welcoming the participants, introducing the panel members and outlining the procedure to be followed at the hearing

- in disputes between unit owners, the initial complainant shall succinctly describe the nature of the dispute and his/her position with regard to it, followed by any questions the panel may have of that unit owner. The other party to the dispute shall then succinctly state his/her position with regard to the dispute, followed by any questions the panel may have of that unit owner.

- in disputes between a unit owner and the Association, the representative of the Board of Trustees (e.g. the property manager) shall succinctly state the nature of the dispute and the Board's position with regard to it, followed by any questions the panel may have of the Board's representative. The unit owner in the dispute shall then succinctly state his/her position with regard to the dispute, followed by any questions the panel may have of that unit owner.

- following the presentations of positions by the parties involved, the panel will then "caucus", whereby they engage in discussion amongst themselves and with the parties, either separately, together, or both, in an effort to identify the issues raised and the interests expressed, and to explore resolutions of the dispute through negotiation, compromise and ultimately agreement.

- it is expected that if a resolution is attainable, it can be reached during one mediation hearing of reasonable length; if, however, another hearing is necessary to fully resolve the dispute, it shall be promptly scheduled by the property manager at an agreeable time no greater than ten (10) days from the date of the first hearing.

- in disputes between a unit owner and the Association, the Board's designated representative shall attend with authority from the Board to resolve the matter at the hearing (within the parameters of that authority), or, at the very least, with the ability to contact the Board by telephone during the hearing with regard to resolving the dispute.

d. The Result

i. In a dispute between unit owners, if an agreement which resolves the dispute is reached, it shall be reduced to writing by the ADR panel/mediator and signed by the parties. A copy shall be given to each party, as well as to the Board of Trustees. If an agreement to resolve the dispute cannot be reached at the hearing, and if there is no reasonable prospect of an agreement being reached at a second hearing, the parties will be dismissed from the ADR process and the ADR panel/mediator shall inform the Board of Trustees of this result.

ii. In a dispute between a unit owner and the Association, if an agreement which resolves the dispute is reached, it shall be reduced to writing by the ADR panel/mediator and signed by the unit owner and the Board's designated representative. A copy shall be given to the unit owner and to the Board. If an agreement to resolve the dispute cannot be reached at the hearing, and if there is no reasonable prospect of an agreement being reached at a second hearing, the ADR panel shall confer and make a formal written recommendation to the Board of Trustees which sets forth findings of fact as it relates to the dispute, as well as a proposed resolution of the dispute. This recommendation to the Board shall be made within five (5) days of the hearing, and a copy shall be sent to the unit owner. The recommendation shall be considered by the Board, but shall not be binding on the Board or on the unit owner.

e. Right to Appeal

i. In a dispute between a unit owner and the Association in which an agreement resolving the dispute was not reached after ADR-Mediation, the findings and recommendation of the ADR panel/mediator may be appealed from by either the unit owner or the Association.

ii. If either party believes that the panel's/mediator's findings of fact were incorrect, or that the panel/mediator incorrectly applied the Association's Rules and Regulations to the facts of the dispute, or for any other reason feels aggrieved by the results of the ADR-Mediation hearing, that party may appeal to the ADR panel/mediator to reconsider its findings and recommendation. Such an appeal must be in writing and addressed to the ADR panel/mediator in care of the property manager's office. A copy of the appeal must be served on the other party. The appeal must be received by the ADR panel/mediator within five (5) days of the service of its findings and recommendation. The appeal must state the grounds upon which the appeal is made and should set forth the aggrieved party's requested result.

iii. The ADR panel/mediator shall respond to the aggrieved party's appeal in writing within five (5) days of its receipt of the appeal. A copy of the response shall be served on both parties. In the discretion of the panel/mediator, if another hearing is in order (e.g. to discuss new information bearing on the dispute which was not submitted at the original hearing), the panel shall promptly schedule another hearing which shall take place not more than ten (10) days from the service of the panel's response to the appeal. Thereafter, Sections 4 and 5, above, shall apply.

5. Counsel to the ADR Panel/Mediator. The Association's attorney shall serve as legal advisor to the panel/mediator. The attorney shall serve as a resource to the panel with regard to ADR-Mediation procedure, not as an advocate for one party or the other.

6. Confidentiality. The ADR-Mediation process and the writings and statements made therein, shall be held in strictest confidence. The hearings themselves are not to be open to the public. Only those persons directly involved in a dispute are permitted to attend a hearing. The panel members are not permitted to discuss a dispute or the findings and recommendation they make with regard to any dispute to anyone other than the parties and their fellow panel members.

7. Costs. Any costs incurred by a party as a result of their participation in the ADR-Mediation process (e.g. costs of hiring legal counsel, costs of gathering and presenting evidence, etc.) shall be borne solely by the party incurring the costs. In the event that the Association is required to hire a professional mediator to mediate a dispute (see Section 3, above), that cost shall be the responsibility of the Association.