

January 27, 2005

Via Fax and Regular Mail: 732-545-2754

Midstate Management Hampton Club
406 Omni Drive
Hillsborough, NJ 08844
Attn: Nicholas Piscitelli

Re: The Hampton Club
Condominium Association, Inc.
New Jersey Housing and Mortgage
Finance Agency Note and Mortgage

Dear Mr. Piscitelli:

As you are aware, this project was acquired by First Baptist Development Corporation, who developed this project and received subsidies from the New Jersey Housing and Mortgage Finance Agency (the "Agency"). By doing so, units were deed restricted, in that they were characterized as subsidized units, to be sold for under market value to qualifying homeowners. The qualifying homeowners had to meet certain income requirements established by the Agency.

At the time of the closing on these units, not only was a first mortgage entered into between the unit owner and their mortgage company, but also a second mortgage was entered into with the Agency.

The Second Mortgage with the Agency is self-canceling; so long as a unit owner owns his/her property as a principal residence and does not convey title for a period of twenty (20) years (this period has been lowered to ten (10) years as per discussions with the Agency and the Board) from the initial purchase date. If a unit owner satisfies this criteria, the Note and Mortgage cancels itself out and no liability to the Agency is owed.

In the event a unit owner sells before the time frame for fair market value, in what is classified as a non-exempt transfer, meaning they sell the property for market value, the unit owner would have to pay a portion of the net proceeds to the Agency. The amount of monies from the sale price to the Agency would be determined by taking the gross sale proceeds less the following items:

- A. Initial purchase price; and
- B. Real Estate Commission; and

- C. The usually Seller's Closing Agent Fees; and
- D. New Jersey Realty Transfer Tax; and
- E. Certificate of Occupancy and Repair Costs in obtaining a Certificate of Occupancy; and
- F. Cost of home improvement that increase the size for the unit making it suitable for occupancy by a larger household or improvements for maintaining the standard condition of the unit as may be approved by the Agency.

Once these deductions are taken, one half (1/2) of the net proceeds will be payable to the Agency, the other one half (1/2) will be payable to the unit owner. This should have been explained to a homeowner at the time of closing.

If I can be of any further assistance in explaining this type of financing, please do not hesitate to contact this office.

Very truly yours,

John F. Kwasnik, Esq.

Cc:

Via Email:

Ricardo Cumberbatch

Via Fax and Regular Mail: 732-545-2754

Members of the Board

Midstate Management Hampton Club

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Hillsborough, NJ 08844