

10.4

HAGER ARCADE CONDOMINIUM

Purchaser Should Read This Document
Carefully for His or Her Own Protection

PUBLIC OFFERING STATEMENT

NAME OF CONDOMINIUM: Hager Arcade Condominium

LOCATION OF CONDOMINIUM: Northwest corner of the intersection of West King Street and North Market Street within Lancaster's Central Business District in Pennsylvania, 1/2 block East of Penn Square, the center of the central business district; the City of Lancaster is 64 miles from Philadelphia, 159 miles from New York, 67 miles from Baltimore and 106 miles from Washington, D.C.

NAME OF DECLARANT: Hager Arcade Building Partnership, a Pennsylvania General Partnership

ADDRESS OF DECLARANT: 10 North Market Street, Unit 504, Lancaster, PA 17603

EFFECTIVE DATE OF PUBLIC OFFERING STATEMENT: , 1994

IMPORTANT NOTICE

Pursuant to §3402(a)(b) of the Pennsylvania Uniform Condominium Act ["the Act"]

- A. UNDER PENNSYLVANIA LAW, A PURCHASER OF A CONDOMINIUM UNIT IS AFFORDED A FIFTEEN (15) DAY PERIOD AFTER RECEIPT OF A PUBLIC OFFERING STATEMENT, OR AFTER AN AMENDMENT TO THE PUBLIC OFFERING STATEMENT THAT MATERIALLY AND ADVERSELY AFFECTS THE RIGHTS OR OBLIGATIONS OF THE PURCHASER, DURING WHICH HE OR SHE MAY CANCEL ANY CONTRACT FOR PURCHASE OF A UNIT FROM DECLARANT.
- B. IF DECLARANT FAILS TO PROVIDE A PUBLIC OFFERING STATEMENT, AND ANY AMENDMENTS THERETO, TO A PURCHASER BEFORE CONVEYING A UNIT, THAT PURCHASER, IN ADDITION TO ANY OTHER RELIEF, IS ENTITLED TO RECEIVE FROM DECLARANT AN AMOUNT EQUAL TO FIVE (5%) PERCENT OF THE SALE PRICE OF THE UNIT UP TO A MAXIMUM OF TWO THOUSAND (\$2,000) DOLLARS, OR PURCHASER'S ACTUAL DAMAGES, WHICHEVER IS GREATER, IN ACCORDANCE WITH SECTION 3406(c) OF THE ACT. A MINOR OMISSION OR ERROR IN THE PUBLIC OFFERING STATEMENT, OR ANY AMENDMENT THERETO, WHICH IS NOT WILLFUL, SHALL ENTITLE THE PURCHASER TO RECOVER ACTUAL DAMAGES, IF ANY.
- C. IF A PURCHASER RECEIVES THE PUBLIC OFFERING STATEMENT MORE THAN FIFTEEN (15) DAYS BEFORE SIGNING A CONTRACT OF SALE, HE CANNOT CANCEL THE CONTRACT, EXCEPT HE SHALL HAVE THE RIGHT TO CANCEL THE CONTRACT WITHIN FIFTEEN (15) DAYS AFTER RECEIPT OF ANY AMENDMENT THERETO THAT WOULD HAVE A MATERIAL AND ADVERSE EFFECT ON THE RIGHTS OR OBLIGATIONS OF THAT PURCHASER.

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1. **INTRODUCTION**

Hager Arcade Building Partnership, a Pennsylvania General Partnership ("Declarant"), hereby presents its proposal for condominium ownership of certain real estate known as "Hager Arcade" located in Lancaster, Lancaster County, Pennsylvania. The Declarant proposes to upgrade the property and to convert the property into a condominium with common areas and facilities. The land and buildings will constitute a condominium known as "Hager Arcade Condominium" (the "Condominium"). Condominium units will be offered by the Declarant for sale to the public.

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, marketing and operation of the Condominium, reports regarding the construction and condition of the buildings and a proposed first annual operating budget for the Condominium. 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 Pennsylvania Uniform Condominium Act (the "Act"), or the Declaration or the Bylaws of the Condominium, or both.

2. **CONDOMINIUMS IN GENERAL**

The term "condominium" refers to a form of property ownership. Property which is owned as a condominium contains two distinct types of property -- Units and Common Elements. Units are portions of a condominium which are set aside for individual ownership and occupancy. In Hager Arcade Condominium, there are three (3) types of Units: Dwelling Units for residential use, Commercial Units, and Storage Units in which personal property may be stored. The Dwelling Units and the Commercial Units will be owned in fee simple absolute. The Storage Units are not owned in fee simple absolute, but are Limited Common Elements.

Common Elements, on the other hand, are all portions of the condominium which are not included within the Units. In the case of Hager Arcade Condominium, the Common Elements include, without limitation, the land, those portions of the structures which support, enclose or service the Units, the common halls,

stairwells and elevators, exterior walls and lighting, roofs, common plumbing and utility systems and the commercial mall corridor. Each Unit Owner owns an "undivided interest" in the Common Elements. An undivided interest is a fractional or percentage share of ownership of all of the Common Elements. In this Condominium, the undivided interest is a percentage and is hereinafter referred to as the "Percentage Interest". The ownership of an undivided interest gives the Unit Owner the right to participate in the control and management of all the Common Elements by voting, but such ownership carries with it the obligation of each Unit Owner to pay his share of the expenses of operating and maintaining all of the Common Elements.

Certain Common Elements are designated "Limited Common Elements". A Limited Common Element in Hager Arcade Condominium is a portion of the Common Elements, the use of which is allocated or appurtenant to a particular Unit or group of Units. The Unit Owners of the Units to which a Limited Common Element is assigned have the exclusive right to use the Limited Common Element although all Unit Owners have an undivided ownership interest in the Limited Common Element. In Hager Arcade Condominium, these Limited Common Elements include, without limitation and to the extent each serves only one Unit: windows, window screens, storm windows and window frames; chimneys; storage units; condensers, mounts and apparatus; front doors; sprinkler system and all hardware. The Association is responsible for maintaining and replacing all Limited Common Elements, however, the costs of said maintenance and repair is borne by the Unit Owners who have the right to use the Limited Common Elements.

Each Unit will be taxed separately for real estate tax purposes. No Unit Owner is liable for the payment of real estate taxes on any other Unit. Similarly, no Unit is subject to the lien of a mortgage on any other Unit.

3. **DESCRIPTION OF THE CONDOMINIUM:**

A. **The Existing Site and Neighborhood.**

The Condominium site is in an area known as Lancaster City, Lancaster County, Pennsylvania. The site is located at the Northwest corner of the intersection of West King Street and North Market Street; Lancaster City lies sixty-four (64) miles from Philadelphia, one hundred fifty-nine (159) miles from New York, sixty-seven (67) miles from Baltimore and one hundred six (106) miles from Washington, D.C. The predominate land

use in the immediate neighborhood consists of the farmers market house, headquarters for Lancaster Newspapers, Inc., Fulton Opera House and numerous specialty shops, with offices and/or apartments above. Included within the neighborhood is the County Courthouse, City Hall, offices for all of the area's primary lenders, a locally-owned department store known as Bon-Ton, an hotel and a variety of retail and service commercial facilities, offices and apartments.

The major traffic arteries serving the region include the Pennsylvania Turnpike (Interstate Route 76), the Lincoln Highway (U.S. Route 30 and Pennsylvania Route 462), U.S. Routes 222 and 322 and Pennsylvania Route 283. Other transportation facilities available from Lancaster include one major commercial airport and seven (7) smaller strips, two (2) major rail lines and numerous truck terminals. The Cities of Philadelphia and Baltimore are approximately one and one-half (1.5) hours driving time from Lancaster City; New York City is approximately three and one-half (3.5) hours from Lancaster City and Washington, D.C. is approximately two and one-half (2.5) hours driving time from Lancaster City.

The following is a list of major employers in the region: Alumax Aluminum Corporation; AMP, Incorporated; Armstrong World Industries, Inc.; Burle Industries (formerly RCA); R.R. Donnelly and Sons Company; Dart Container Corporation; Grinnell Corporation; Hamilton Technology; High Industries, Incorporated; Ferranti International Signal, Inc.; Ford New Holland, Incorporated; Lancaster General Hospital; County of Lancaster; St. Joseph Hospital; School District of Lancaster; Millersville University; Hamilton Bank; Pennsylvania Power and Light Company; Pennfield Corporation; Lancaster Newspapers, Inc.; Warner Lampert Company; Victor F. Waver, Incorporated; Kellogg Company, and Wyeth Laboratories, Incorporated.

The Condominium is partially a four (4) story and partially a five (5) story brick building, with basement, which is strategically located within walking distance of fine restaurants, retail shops, most business services and

public transportation. The Hager Arcade, a mini-mall, is located on the ground and basement levels with three (3) separate entrances. The commercial tenants are all local, with stores that are upscale and unique in nature.

All public utilities, including water, sewer, gas, electric and telephone are available at the site. Each unit has individually-controlled central air conditioning and gas heating systems, spacious closets, soundproofing and energy efficient construction. Tenants are currently responsible for paying all utilities.

There is an indoor parking garage located less than one (1) block from the Building. This parking garage is owned by Lancaster Newspapers, Inc., with whom the Association currently is under contract. The parking garage is located on West King Street, and is contracted for a total of thirty-three (33) spaces for the Dwelling Unit Owners. The Association intends on entering into a contract with Lancaster City, commencing on or before January 1, 1995, for thirty-one (31) parking spaces in its parking garage, which is also located one block from the Building on Orange Street. This contract with Lancaster City will offer a substantial saving for the Dwelling Unit Owners. The contract will not be for more than six (6) months in order to allow the Association, once Homeowner controlled, to make any other alternative arrangement. Should any Dwelling Unit Owner choose to park in the Lancaster Newspapers, Inc. parking lot after January 1, 1995, arrangements may be made for the Association to pay the sum allocated for that Dwelling Unit Owner's pro-rata cost of the Lancaster City parking lot, directly to the Lancaster Newspapers, Inc. That Dwelling Unit Owner would be responsible for any excess over the Association's payment to the Lancaster Newspapers, Inc. parking lot.

✓ The site itself is slightly irregular in shape. It fronts 63.46 feet along the North side of West King Street, 241.33 feet in depth along the West side of North Market Street and 61.63 feet along the South side of West Grant

Street. The gross land area is approximately 15,177 square feet and is graded with all streets, sloping gradually downward from East to West or side to side. The site also slopes slightly upward along North Market Street to a crest toward the middle of the site after which it becomes essentially level. The property is not located within a "Special Flood Hazard Area".

The Dwelling Units have their own security entrance on the North Market Street side of the Building, via a security intercom system. There is also a passenger elevator available to the Dwelling Unit Owners that accesses the units from the basement to the second through the fifth floors. The Dwelling Unit Owners also have the availability of a freight elevator which runs from the basement to the fourth floor.

While the passenger elevator is limited to the use of the Dwelling Unit Owners and not for commercial use, Commercial Unit Owners have the availability of another freight elevator which is accessible from the basement or the loading dock to the first floor.

The site is zoned as CB - Central Business, which permits a variety of retail and service commercial uses, and offices, apartments and limited distribution uses, including its present use.

The Condominium is both a 31-unit multi-family residential development and a 13-unit commercial development. William H. Hager built the Hager Building at King and Market Streets as a department store. In 1981, the building was completely restored on the outside and rebuilt for contemporary apartment living on the inside.

The residential units include one, two and three-bedroom units. The kitchen of each unit includes a refrigerator/freezer, self-cleaning gas range with lighted range hood and two (2) speed vented exhaust, dishwasher, garbage disposal, double stainless steel sink, ceramic tile backsplash, European-style laminated cabinets, pass-through counter top bar with custom made oak veneer, color coordinated

counter tops and quarry tile floors and recessed lighting for working areas. Each unit also is equipped with a laundry area with side-by-side washer and gas dryer. Each unit has individually-controlled central air conditioning and gas heating systems, spacious closets, soundproofing and energy efficient construction. Most of the units also contain fireplaces with quarry tile hearths and built-in wood storage boxes and units on the upper floors have skylights. The one bedroom units have one and one-quarter baths, the one-quarter baths having the vanity only. The two and three bedroom units have two full baths.

The bath of each unit includes ceramic tile walls and floors, American Standard fixtures with premium quality faucets, European style built-in vanities with full-width mirrors and valance lighting, and full baths with shower, exhaust fan, heat lamp, heating and air-conditioning.

Of the thirty-one (31) residential Dwelling Units contained within the Building, twenty-four units are one-bedroom units, four (4) units are two-bedroom units and three (3) units are three-bedroom units. The average square footage of the units is approximately 1278 square feet, at an average square foot price of \$49.00

The thirteen (13) commercial units total 15,331 square feet, with an average price per square foot of \$45.00

The exterior of the property varies with the different portions of the Building. The exterior of the southern portion of the Building is steel frame clad with terra cotta blocks and ornamented with a pressed metal coping. Cast iron columns support a structural steel grid dividing this section into five (5) eighteen foot bays north-south and three (3) irregular bays east-west. The steel frame is infilled with three by ten (3x10) and three by twelve (3x12) joists spanning approximately eighteen (18') feet and supporting a wooden floor system covered with a one and one-half (1-1/2") inch concrete subfloor. Large wood frame windows infill the wall openings of the terra cotta clad facades.

The exterior of the central and northern portions of the Building consist of brick bearing walls. The steel frame is supported by cast iron columns and carries a floor structure matching the southern portion. The column grid is somewhat irregular with bays varying from twenty-two feet by twenty-two feet (22x22) to thirteen feet by nineteen feet (13x19).

The overall structural integrity of the Building is very good. No bowing or major cracking of exterior masonry walls is apparent.

Every common wall contains thermo fiber, high-density material for optimum soundproofing. The exterior walls also contain a 6" thermal insulation and the upper floor ceilings contain 9" of insulation. Furthermore, all floors have one and one-half inches (1-1/2") elastizell concrete sub-flooring covered with thirty-four (34) ounces of wall-to-wall carpeting for floor-to-floor soundproofing. Additionally, each unit includes double pane glazing or storm windows and screens.

A sprinkler system and Alarmtech monitored smoke detectors are installed in the Building. A telephone intercom system is also available for lobby and apartment communications, with a push button admittance system. A fully modernized elevator system is included with original brass fittings. Each door is also equipped with peepholes and double locks. There exists parking in a nearby garage through a separate contract between the Association and an unaffiliated company.

Each unit is pre-wired for phones and cable TV. Each unit also contains spacious closets. Certain unit layouts include raised dining or study areas, curved or angular walls and spacious windows and ceilings of various heights.

The Declaration of Condominium, a copy of which is attached as Exhibit B to this Public Offering Statement, is the legal document which creates the Condominium. The Declaration becomes effective when recorded in

the Recording Office of Lancaster County. The Declaration establishes the initial boundaries of the Condominium as a whole, as well as the boundaries of and Percentage Interest in the Common Elements appertaining to each Unit. In addition, the Declaration establishes special property rights within the Condominium, such as Limited Common Elements and Easements (see below).

Units in the Condominium are generally restricted to residential or commercial use, except that the Association and the Declarant may use any sold or unsold Units and portions of the Common Elements as meeting rooms, models, sales offices, leasing offices or management offices.

The Plats and Plans will be available for inspection at the Condominium Office. Prior to the recording of the Declaration, the Plats and Plans will be revised and supplemented, if necessary, to exhibit additional details and dimensions as the upgrading work described below is actually constructed.

B. Upgrade Work

The condition of the Buildings is more fully described in Section 19 below. The refurbishment program will include but not be limited to all the suggested repairs and improvements contained in Schedule "A" of the Engineering Report attached to this document as Exhibit "F".

Declarant will also perform the following work:

(a) Exterior of the Building - The exterior of the Building will be painted.

(b) Roof of the Building - The roof will be re-coated.

(c) Dwelling Units - The entry to the apartment units will be upgraded.

(d) Property Identification Signage - New property identification signage will be installed.

(e) Hallways - The hallways of the Dwelling Units will receive new carpeting and will be painted.

For more detailed analysis, see the Developer's Response to the Engineering Report, attached hereto as Exhibit "G".

4. INDIVIDUAL UNITS

Generally, each Unit will consist of the space bounded by the walls, floor and ceiling of the Unit and includes the front door and windows of the Unit. The Unit will also include any floor covering (carpet, wood, tile, etc.), and the wood joists and insulation constituting a portion of the floor, the wallboard, drywall and wall covering, exterior doors, windows and frames and plumbing fixtures (including but not limited to shower heads, faucet sets and cut-off valves for each fixture) located within a Unit that serve only that Unit. The Unit title lines are more fully described in the Declaration of Condominium. The Identifying Number of each Unit in the Condominium is also set forth in the Declaration.

5. COMMON ELEMENTS

The Common Elements (including Limited Common Elements) constitute all of the Condominium other than the Units. As discussed above, each Unit has an appurtenant percentage interest in the Common Elements. The following items are the major Common Elements of the Condominium: the land, those portions of the structures which support, enclose or service the Units, the common halls, stairwells and elevators, exterior walls and lighting, roofs, common plumbing and utility systems and commercial mall corridor.

6. THE DECLARANT

The Declarant is Hager Arcade Building Partnership, a Pennsylvania General Partnership.

The Declarant presently intends to provide the initial sales and marketing services for the Condominium through Karman Communities Corporation.

7. TERMS OF THE OFFERING

Offering prices for all Units in the Condominium have been tentatively established at this time and will be subject to change at any time prior to execution of Sales Contracts for such Units. The initial offering price for a residential Dwelling Unit will range from approximately \$54,990.00 to \$75,990.00, depending on the size and amenities available in the unit. The initial offering price for a Commercial Unit will range from approximately \$5,500.00 to \$220,000.00. All prices may be changed without notice at any time, at the sole discretion of the Declarant. Of course, prices in executed Sales Contracts cannot be changed except as set forth in such Contracts. Furthermore, the Declarant shall have the right to withdraw a Sales Contract for a Commercial Unit at any time prior to the acceptance of the Sales Contract by seller.

Deposits of portions of the sale price under Sales Contracts shall be held by Karman Communities Corporation in an escrow account in accordance with the provisions of Section 3408 of the Pennsylvania Uniform Condominium Act and will be returned to the Purchaser without interest if the Purchaser cancels the Contract pursuant to Section 3406 of the Act.

A Unit Purchaser at settlement may use his or her own funds to pay the balance of the purchase price or may apply for a loan from any lender. A prospective purchaser is not required to apply for a mortgage loan.

The Declarant has not and will not receive a fee, compensation, or other consideration for arranging for any loans to be available or in connection with the granting of a mortgage loan to any Purchaser. The Declarant will not participate in the preparation of any mortgage loan documents required by the lender in connection with the granting of such mortgages.

In the event a Purchaser chooses to fund the balance of the purchase price owed at settlement by way of a mortgage loan, then said Purchaser shall complete and deliver an application to a lender, within ten (10) days from the date of execution of the Sales Contract, for a mortgage commitment in the amount the Purchaser intends on borrowing from such lender. Purchasers are required to use their best good faith efforts to obtain a commitment for such loan and to promptly execute all required documents and provide all required information necessary to allow prompt processing of all mortgage

applications. Purchasers must also pay the usual and customary charges imposed by lenders for credit and appraisal fees. Purchasers are also required, on or before fifteen (15) days after the date of execution of the Sales Contract, to notify Declarant of the name, address and telephone number (and the name of the loan officer, if available) of the lenders to which Purchaser has submitted loan applications. Failure of the Purchaser to comply with the preceding sentence shall constitute a default under the Sales Contract unless the Purchaser notifies the Declarant in writing within forty-five (45) days after execution of the Sales Contract that he or she has waived the provisions of this Section and intends to purchase the Unit without financing, using his or her own funds.

If a Purchaser should be unable to obtain a mortgage commitment in the principal amount indicated in the Contract, the Purchaser may cancel the Contract upon written notice to the Declarant given within forty-five (45) days after the Acceptance Date or date of execution of the Contract. A Purchaser will be entitled to a complete return of the Deposit Money (without interest) in the event that financing has not been obtained and Declarant has received written notice that Purchaser has been unable to secure the commitment in accordance with the terms of the Sales Contract. The Declarant shall also have the option of submitting another loan application under the same terms to a lender chosen by the Declarant on Purchaser's behalf, at no additional cost to Purchaser.

At settlement, the Purchaser will be required to pay, in addition to the purchase price of the Condominium Unit, the settlement costs which are identified in the Sales Contract. The Declarant, however, will pay three (3%) percent of any purchase price towards said settlement costs.

In addition, the Purchaser will be required to make a non-refundable initial capital contribution to the Association equal to twice the estimated monthly assessment for Common Expenses of his or her Condominium Unit or to reimburse Declarant for said amount made by Declarant on Purchaser's behalf. The general purpose of the contribution is to provide for certain prepaid items (e.g., insurance premiums and organizational, equipment and supply costs). This payment is not to be credited as an advance payment of Common Expenses and will not be refunded.

Although settlement may be delayed by events not within

the Declarant's control, settlement will ordinarily occur on a date which is at least twenty (20) days after notice from the Declarant and at least sixty (60) days after the Acceptance Date or date of execution of the Sales Contract. If the Purchaser fails to make timely and proper application for a loan, properly notify Declarant of the existence of a binding loan commitment or fails to complete settlement on a Unit as required, the Declarant may cancel the Sales Contract and keep all sums deposited by the Purchaser in connection with the Contract. If the Purchaser is unable to obtain financing as provided in the Sales Contract after compliance with the requirements of the Contract, the Declarant will refund the Purchaser's Deposit Money in full, without interest.

No additional Units not now a part of the Condominium are presently intended to be included in the Condominium.

8. **GOVERNING DOCUMENTS**

The basic form of the Sales Contract to be used by the Declarant is included as Exhibit A1 attached hereto. Specimen owner's and mortgagee's title insurance policies and a sample deed are attached respectively as Exhibits A2, A3 and A4.

The ownership, use and occupancy of the Units of Hager Arcade Condominium are governed by certain regulations, covenants and restrictions contained in a Declaration of Condominium (Exhibit B of this Statement), Bylaws (Exhibit C of this Statement) and Rules and Regulations (Exhibit D of this Statement) that may be promulgated by a governing Executive Board, whose responsibility it is to manage the entire Condominium property. These documents, taken together, are known as the Governing Documents of the Condominium. It is important that you read and attempt to understand each portion of the Governing Documents prior to your purchase, so that no restriction placed upon you pursuant to the documents will come as a surprise, after you purchase.

By purchasing a Unit, you automatically agree to abide by the Governing Documents and all of the Rules and Regulations which may be promulgated by the Executive Board at later times.

The provisions of the Pennsylvania Uniform Condominium Act apply to the operation and governance of the Condominium except (where permitted by the Act) to the extent that contrary provisions are found in the Governing Documents.

The following is a brief summary of the significant portions of the Governing Documents:

A. Declaration

The Condominium entity is created by the Declarant's recording of the Declaration.

Article II of the Declaration provides a glossary of certain terms used in the Governing Documents.

Articles III through V of the Declaration describe the boundaries of the Units, the Limited Common Elements and the Common Elements in the Condominium. Unit boundaries generally run along the Unit-side surface of the concrete sub-floor constituting a portion of the Perimeter Floor of a Dwelling Unit, the Unit-side surface of the portions of the structure to which the dry wall forming all Perimeter Walls, Party Walls and Perimeter Ceilings are attached. Both surfaces of doors and windows and door and window frames and hardware are part of the Unit. The significance of the Unit boundaries is that, excluding certain limited exceptions, all portions of the Unit contained within these lines are owned by the Unit Owner and the Unit Owner has sole responsibility for the care, maintenance and replacement of these areas. The exceptions to this general rule include (without limitation) all portions of the land, those portions of the structures which support, enclose or service the Units, the common halls, stairwells and elevators, exterior walls and lighting, roofs, common plumbing and utility systems and the commercial mall corridor, all of which are Common Elements (described below), maintained and replaced by the Association. In addition, the Association has the responsibility and the sole right (which may be delegated to Unit Owners under certain circumstances) to paint the exterior surfaces of perimeter walls and entrance doors to the Units, the frames of such doors and exterior window frames and sills and to replace the hardware visible on the exterior surface of Unit entrance doors.

All portions of the Building which are not contained within the Unit are deemed to be

Common Elements. Common Elements are maintained by the Association on behalf of all Unit Owners and the cost of this maintenance is allocated to the individual Units in accordance with their Percentage Interests which are listed in Exhibit B to the Declaration.

Certain Common Elements are designated as Limited Common Elements in the Declaration and the Plats and Plans. In Hager Arcade Condominium, Limited Common Elements consist of Common Elements which serve only one (1) Unit or fewer than all of the Units in the Condominium (see Article IV of the Declaration). Although the Association is responsible for the physical maintenance and replacement of Limited Common Elements, the Unit Owners entitled to use the Limited Common Elements bear the cost of such maintenance and replacement.

The owner of each Unit will own, in addition to his Unit, an undivided interest in the Common Elements (including the Limited Common Elements) as set forth in Exhibit B to the Declaration. Undivided interests in the Common Elements were computed on the basis of the relative size and usage of the Common Elements by Dwelling Units and by Commercial Units, as set forth under the heading "Common Elements" in Section 5 above. The legal description of each Unit consists, in part, of its identification number as set forth in Exhibit A to the Declaration (see Article III of the Declaration).

All expenses of administration, maintenance, and repair or replacement of the Common Elements and any expense agreed upon by the Unit Owners to be paid as Common Expenses by the Unit Owners, or which are set forth as such in the Declaration, Bylaws or the Act as such, shall be deemed "Common Expenses" and shall be paid by the Unit Owners in proportion to their relative percentage of ownership interests in the Common Elements.

Article VI of the Declaration imposes various restrictions on the use of the Units and various other portions of the Condominium. Section 6.1 provides that the Units in the

Condominium are generally restricted to residential and commercial uses only. Unit Owners are barred from conducting any activity which unreasonably interferes with the quiet enjoyment of adjacent Units and which may be or become an annoyance or nuisance to the other Unit Owners or which interferes with the peaceful possession and proper use of the Condominium by the Unit Owners. Units may be combined and subdivided if certain requirements are fulfilled. The Executive Board under certain circumstances may delegate, upon the request of the Unit Owner, the authority of the Association to install, remove, relocate or reconstruct portions of the mechanical and utility systems within a Unit. The approval of the Association is also required for decorations or other changes to surfaces visible from the outside of the Unit and the Limited Common Elements and for signage permitted by Commercial Unit Owners.

√ Section 6.2 of the Declaration provides that a Unit Owner may lease or sublease his or her Unit, in writing, for an initial term of not less than one (1) year, provided a copy of the written lease or sublease is furnished to the Executive Board within ten (10) days after execution. The Declaration prohibits the lease or sublease by a Unit Owner of less than an entire Unit, unless either the Owner or lessee (in the case of a sublease) of a Dwelling Unit resides in the Dwelling Unit, or the Owner or lessee (in the case of a sublease) of a Commercial Unit occupies the Commercial Unit with such lessee or sublessee. The rights of all lessees and sublessees are subject to the provisions of the Governing Documents and a default thereunder constitutes a default under the lease.

Section 6.3 of the Declaration requires the delivery of a separate deed for each Unit conveyed.

In addition to those provisions contained within the Declaration dealing with the use of Units and Common Elements, additional Rules and Regulations (that are consistent with the Declaration) may be promulgated by the Executive Board of the Association. The initial Rules and Regulations are attached as

Exhibit "D" to this Public Offering Statement.

Article VII of the Declaration describes Easements which are more fully discussed in Section 10 of this Public Offering Statement. Until closing of the sale of all the Units, the Declarant may use portions of the Premises, including Units owned by the Declarant, in connection with the sale, lease, management and promotion of sales of Units. The Declarant has certain special rights with respect to the use, sale or lease of any Unit or other portion of the Premises and the right to transact any business necessary to complete any upgrade program.

Article VIII of the Declaration deals with the rights of parties who hold mortgages on the Units. Section 8.1 provides that in consideration of the rights granted to mortgagees under the Declaration, the terms of the Governing Documents of the Condominium will take precedence over the terms of any mortgage.

Section 8.2 provides that Purchasers may not deliver any mortgage or obligations secured thereby unless they have first notified the Executive Board of the name and address of the proposed Posted Mortgagee.

Section 8.3 grants certain Posted Mortgagees the right to receive notice upon the happening of certain events.

Section 8.4 of the Declaration deals with the right of Posted Mortgagees to approve certain actions of the Association.

Article IX of the Declaration, together with §3312 of the Act, provides that the Executive Board shall obtain the following types of insurance with respect to the property:

- (a) hazard insurance with endorsement for extended coverage or similar insurance. Such insurance shall be in an amount equal to the full insurable replacement cost of the property without deduction for depreciation;

- (b) comprehensive liability insurance naming the Unit Owners, the Association, any managing agent retained by the Association, the Executive Board members and officers of the Association as insureds for a minimum of \$1,000,000.00 for property damage and/or personal injury for one (1) person and \$1,000,000.00 for personal injury arising out of any single occurrence;
- (c) fidelity coverage against dishonest acts on the part of persons responsible to the Association;
- (d) workers' compensation insurance as may be required by law;
- (e) insurance to satisfy the obligation of the Association and all Unit Owners, pursuant to Article 10.2 of the Declaration, to indemnify members of the Executive Board against expenses and liabilities incurred by reason of their membership on the Executive Board;
- (f) other types of insurance that the Board may elect to obtain or which FNMA, FHLMC, FHA or VA may require.

In the event of the destruction of all or part of the Premises, Section 3312 of the Act provides that the Executive Board, with certain exceptions, has a duty to repair and restore the Premises, using the proceeds of insurance. Under certain circumstances, after destruction of all or a portion of the Building, the Condominium may be terminated.

Article X of the Declaration provides for a limitation on the liability of members of the Executive Board against all the expenses and liabilities which they may incur which are not caused by willful misconduct or gross negligence. Other sections of Article X provide for the indemnification of and defense of claims against the Association, its officers and Executive Board.

Section 10.3 provides that each Unit Owner is jointly and severally liable with its tenants or subtenants of the Unit owned by such Unit Owner for certain liabilities arising in connection with the Unit.

Section 10.5 provides that the Association, Executive Board, Unit Owner and Declarant are not responsible for personal property stored within the Common Elements of the Condominium.

Article XI deals with who is subject to the terms of the Governing Documents of the Condominium and the respective rights and responsibilities of the Association and the Unit Owner if all or a portion of the Common Elements are taken or destroyed by eminent domain.

Article XII of the Declaration deals with the powers of the Executive Board of the Association. The Executive Board has most of the same powers and functions as the Board of Directors of a corporation. Among other powers, the Executive Board and its officers have the power to manage the Condominium, including the power to pay all Common Expenses, engage the services of a managing agent, formulate policy, borrow money on the credit of the Association and enforce the Governing Documents, including the collection and levying of assessments. The Executive Board will have final say in resolving or arbitrating disputes between Unit Owners regarding the Condominium or the Governing Documents. The Executive Board may, without approval of the Unit Owners or holders of Posted Mortgages, but subject to certain restrictions, amend the Governing Documents to correct ambiguities or defects or to conform the documents to the requirements of FNMA, FHLMC, FHA or VA with respect to condominium projects.

Article XIII of the Declaration (together with Article V of the Bylaws) deals with the liability of Unit Owners to pay for all common expense assessments allocated to their individual Units and provides for the procedures to be followed to fix assessments and to collect assessments in the event that a Unit Owner fails to pay them. If a Unit Owner

is in default in the payment of assessments, the Association may assess late charges and interest and the delinquent Unit Owner is obligated to pay all expenses of the Executive Board, including reasonable attorneys fees, incurred in the collection of the delinquent assessments.

EACH UNIT OWNER, BY ACCEPTANCE OF A DEED TO THE UNIT, SHALL BE DEEMED TO HAVE APPOINTED ONE OR MORE EXECUTIVE BOARD MEMBERS AS ATTORNEYS-IN-FACT WITH POWER TO CONFESS JUDGMENT IN ANY COURT OF COMPETENT JURISDICTION WITH RESPECT TO UNPAID COMMON EXPENSE ASSESSMENTS.

B. Bylaws

The Bylaws are the rules for governance of the Condominium Association and serve the same purpose as the Bylaws of a corporation.

Article II of the Bylaws sets forth the membership rights of all Unit Owners in the Association and sets forth the time, location, purpose and business to be conducted at meetings of the Association. Article II also sets forth the required notice, quorum and voting rights of the Unit Owners as members of the Association and the procedures to be followed in conducting meetings of the Association. The Bylaws require the Association to conduct meetings at least annually. At such meeting, various members of the Executive Board will be elected and the members present will conduct such other business as may be required or permitted by law or the Governing Documents. At the annual meeting, the Treasurer of the Association presents an annual financial report for the preceding fiscal year.

Each Unit Owner shall be a member of the Association which will be a Pennsylvania corporation organized on a non-stock basis. Each Unit Owner automatically becomes a member of the Association when he or she acquires title to his or her Unit, and ceases to be a member when he or she sells the Unit.

Special meetings of Unit Owners may be called by the Executive Board or by Unit Owners

entitled to cast not less than twenty (20%) percent of all votes of Unit Owners.

Revocable written proxies of not more than one year's duration are permitted. All joint owners of a Unit must either appoint one owner to vote for the Unit in a certificate filed with the Secretary of the Association or must join together and cast the Unit vote together, either in person or by proxy. Owners other than natural persons must designate a person with authority to vote in a certificate filed with the Secretary of the Association.

Article III deals generally with the make-up and operation of the Executive Board and sets forth procedures to be followed in the event of the resignation or removal of Executive Board members and the filling of vacancies in the Executive Board.

The Condominium will eventually be managed by an Executive Board of five (5) persons. After turnover of control by the Declarant, Board members will serve for staggered terms of three (3) years each.

Section 3.2 of the Bylaws permits the Association to employ a professional experienced managing agent. This managing agent will oversee the daily operation of the Condominium. Section 3.2 establishes requirements for the terms of any management contracts entered into by the Association and delineates which powers of the Executive Board and the Officers that may be delegated to a managing agent.

Section 3.14 of the Bylaws sets forth requirements governing the validity of contracts with interested Executive Board members.

Article IV of the Bylaws contains provisions governing the election of officers of the Association by the Executive Board and the duties of such officers. The Executive Board annually elects a President, Vice-President, Secretary, Treasurer and such other officers as the Executive Board may determine.

Article V deals with the determination,

will give the alleged violator at least ten (10) days notice of a hearing to be held to hear the charges of the complainant. The hearing will be open to the public and conducted as a quasi-judicial proceeding.

After a full hearing on the dispute, the Committee will submit a report to the Executive Board recommending sanctions, including fines, if a violation has been found. The Executive Board may ratify the recommendations of the Committee or hold a second full hearing on the matter. The decisions of the Executive Board are final and an aggrieved Unit Owner may seek redress in a court of law only after exhausting the remedies outlined in the Rules and Regulations.

D. Sales Contract

The Sales Contract sets forth the various rights, duties and obligations of the Unit Purchaser and Declarant with reference to the individual Unit to be purchased.

Section 1 of the Contract Terms refers to the parties to the Contract, including Declarant and the prospective Purchaser.

Section 2 of the Contract Terms refers to the identification of the Units to be purchased by the Purchaser and provides that in addition to obtaining title to an individual Unit, a Purchaser automatically receives appurtenant undivided proportionate ownership interests in the Common Elements, and the personal property and upgrade work, if any, to be done by the Declarant.

Section 2 of the Contract Terms also refers to Item III of the Schedule to the Sales Contract which covers the price and terms for the Units the Purchaser is buying. The purchase price for the Units reflects the current sales prices for the Units less any allowances or discounts that may be granted by the Declarant in the Contract pursuant to Riders. At the time the Contract is executed, Purchasers will be required to pay a deposit ("Deposit Money") towards the purchase price. The balance of the purchase price (after deduction of the

Section D of the Rules and Regulations deals with storage of personal property in the Condominium. All personal property stored in the Condominium is stored at the sole risk of the Unit Owner.

Section E of the Rules and Regulations deals with access to the Units. The Association or the Managing Agent shall have the right to keep a copy of all keys necessary to enter all Units for use in case of an emergency, to enter the Unit at the request of the resident of the Unit and, after notice to the resident of the Unit, for the purpose of the Association or Managing Agent exercising and discharging their respective powers and responsibilities with respect to the Condominium. The Executive Board will establish procedures and controls to ensure the proper use of these access keys. A Unit Owner may be charged \$10.00 for requesting the assistance of an employee of the Condominium to open a Unit outside of the normal business hours of the Management Office at the Condominium. The Unit Owner assumes the sole risk in connection with leaving articles of any kind with employees or agents of the Association.

Section F deals with the conditions under which residents and Commercial Unit Owners may move into and out of Units. Moving is restricted to the hours between 9:00 a.m. and 5:00 p.m., Monday through Saturday, excluding holidays.

Sections G and H deal with other rules regarding the use of Units.

Section I deals with the procedure that will be used to resolve disputes arising in connection with the Rules and Regulations, the Act and other Condominium Documents. The Executive Board shall appoint five (5) Unit Owners, none of whom may be members of the Executive Board, to serve as members of an Internal Dispute Resolution Committee. The Chairman of the Committee will forward complaints received to the management of the Condominium. If a dispute has not been resolved within seven (7) days to the satisfaction of the complainant, the Committee

assessment and collection of Common Expenses (see also Article XIII of the Declaration). Unpaid Common Expense assessments will be liens upon Units, and such liens ultimately may be enforced by a foreclosure or forced sale of said Units. The annual budget is to be presented to the Unit Owners and budget items are subject to veto by Unit Owners pursuant to Section 5.8 of the Bylaws.

Article VI provides that failure to comply with the Governing Documents, including any Rules and Regulations pursuant thereto, shall subject a Unit Owner to liability for damages, injunctive relief, foreclosure of lien, and incidental court costs and attorney's fees, or any other relief that a court might deem appropriate.

Article VII deals with amendments of the Bylaws and Declaration. See discussion of Article XII of the Declaration above.

C. Rules and Regulations

The Rules and Regulations are rules governing the conduct of owners and occupants of the Condominium. They are designed to ensure a clean, quiet, safe and valuable environment for all residents.

Section B of the Rules and Regulations contains restrictions regarding the use of Units and Common Elements of the Condominium.

Section C of the Rules and Regulations deals with pets which may be kept in a Unit. A maximum of two (2) domestic dogs or cats may be kept in a Unit. Dogs or cats in excess of the permitted number residing within the Condominium and owned by a Unit Owner at the time the Declarant conveys a Unit to said Unit Owner may be kept by the Unit Owner, but may not be replaced. Small domestic animals may be kept as household pets provided they are not kept for commercial purposes. Pets must be kept so as not to constitute a nuisance. Pets must be registered and inoculated as required by law and usually registered with the Association. Pets may not be walked or exercised in the halls except for Seeing Eye Dogs.

Deposit Money previously paid) is due on the date on which title to the Units is conveyed to the Purchaser (the "Settlement Date"), part of which may be paid from the proceeds of a mortgage obtained by the Purchaser.

Section 4 of the Contract Terms describes when the Settlement will occur. The time for Settlement and all other times referred to in the Sales Contract for the performance of any of the obligations under the Contract are agreed to be "of the essence". The exact hour and place of Settlement will be designated by the Purchaser.

Section 7 of the Contract Terms sets forth when Purchaser will be entitled to possession of the Units. It also describes the encumbrances on title to the Units.

Section 12(a) of the Contract Terms provides that the Declarant assumes the risk of loss or damage to the Units until Settlement, subject to the provisions of Section 12.

Section 12(b) of the Contract Terms sets forth the rights of the Declarant and the Purchaser in the event that all or a portion of the Condominium is destroyed, damaged or condemned prior to the Settlement Date.

Section 13 of the Contract Terms sets forth the events of default and the respective rights of the Declarant in the event of a default by the Purchaser. Generally, this Section provides that upon a default by the Purchaser, the Declarant is entitled to retain the Deposit Money paid by the Purchaser as the Declarant's sole remedy. In the event of a default by the Declarant, the Purchaser is entitled to a return of all Deposit Money paid pursuant to the Contract as the Purchaser's sole remedy.

Section 14 of the Contract Terms provides that the Purchaser has inspected the Unit and has agreed to purchase it as a result of such inspection and not because of or in reliance upon any representation made by the Declarant or an agent thereof. It further warns that the Purchaser should rely only upon representations, warranties and agreements in

the Contract.

Section 16 of the Contract Terms provides that the named Purchaser under the Agreement may not assign the Purchaser's right to purchase the Unit without the consent of the Declarant.

In Section 19 of the Contract Terms, the Purchaser acknowledges receipt of copies of the Public Offering Statement and exhibits including the Declaration, Bylaws and Rules and Regulations; 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 first recorded conveyance of a Unit to any third party without, in some cases, obtaining the Purchaser's written consent thereto.

Section 22 of the Contract Terms sets forth the various warranties given to Purchasers by the Declarant. These warranties are summarized in Section 17 of this portion of the Public Offering Statement.

The Declarant retains the right, at any time and from time to time, to increase the selling prices for the Units in the Condominium and any increases in these prices belong to the Declarant; provided, however, that no changes in prices may affect Sales Contracts executed by the Declarant prior to the time such changes are made, nor will any such price changes alter a Purchaser's Percentage Interest in the Common Elements.

The Sales Contract attached hereto as Exhibit A1 contains several other provisions that are applicable to the Purchaser and the settlement of his or her Unit.

E. Alarm Contract

The Association, on behalf of the Condominium, has or will assume the liabilities of the Declarant under a contract ("Alarm Contract") with Alarmtech Corporation for the telephoning monitoring of the alarm system installed in the Building and for notification to authorities of same. A copy of the Alarm Contract is included in the Public Offering Statement as Exhibit "K". The Alarm Contract

was effective as of May 31, 1994. The Association will pay Alarmtech Corporation a fee of \$566.50 per annum for such alarm monitoring, maintenance of system and reporting services.

F. Elevator Service Contract

The Association, on behalf of the Condominium, has or will assume the liabilities of the Declarant under a contract ("Elevator Service Contract") with General Elevator, Inc. for elevator maintenance. A copy of the Elevator Service Contract is included in the Public Offering Statement as Exhibit "L". The Elevator Service Contract was effective as of September, 1982. The Association will pay a fee of \$422.34 per month for such elevator maintenance and other services.

G. Music Contract

The Association, on behalf of the Condominium, has or will assume the liabilities of the Declarant under a contract ("Music Contract") with Glick's Commercial Sound, Inc. for the leasing of music equipment, including amplifier and speakers. A copy of the Music Contract is included in the Public Offering Statement as Exhibit "M". The Music Contract was effective as of July 1, 1994. The Association will pay a fee of \$206.70 per quarter for the leasing of such music equipment and other services.

H. Parking Garage Contract

The Association, on behalf of the Condominium, has or will assume the liabilities of the Declarant under a contract ("Parking Garage Contract") with Lancaster Newspapers, Inc. for thirty-three (33) parking spaces in a parking garage located approximately one block from the Building on West King Street. A copy of the Parking Garage Contract is included in the Public Offering Statement as Exhibit "L1". The parking spaces pursuant to this Contract are only provided to Dwelling Unit Owners at \$65.00 per month per parking space.

In order to obtain substantial savings, the Association intends on entering into another

Parking Garage Contract with Lancaster City for thirty-one (31) parking spaces in a parking garage also located approximately one block from the Building on Orange Street. A copy of the proposed Lancaster City Parking Garage Contract is included in the Public Offering Statement as Exhibit "L2". These parking spaces are also provided to Dwelling Unit Owners, but at a rate of only \$29.00 per month per parking space. The Lancaster City Parking Garage Contract will be effective from January 1, 1995 to June 30, 1995. Should any Dwelling Unit Owner choose to park in the Lancaster Newspapers, Inc. parking lot, after January 1, 1995, arrangements may be made for the Association to pay the sum allocated for that Dwelling Unit Owner's pro-rata cost of the Lancaster City parking lot, directly to the Lancaster Newspapers, Inc. That Dwelling Unit Owner would be responsible for any excess over the Association's payment to the Lancaster Newspapers, Inc. parking lot.

In the event the Board of Directors of the Association is not satisfied with this Contract, it has the authority after June 30, 1995 to renegotiate the terms of the Contract or make alternative arrangements. The Lancaster City Parking Garage Contract, while offering the same convenience of location as the Parking Garage Contract with Lancaster Newspapers, Inc., will provide a substantial economic benefit to the Association.

I. Other Contracts and Leases

This statement sets forth all relevant contracts with respect to the Condominium except for routine maintenance and supplies, vending machines, landscaping and ground maintenance, snow removal, common area cleaning, insurance pursuant to Article IX of the Declaration and Section 13 of this Public Offering Statement, and similar contracts.

9. MANAGEMENT

Karman Communities Corporation shall manage the operations of the Condominium. The Association will pay Karman Communities Corporation a management fee of approximately \$833.33 per month.

10. EASEMENTS AND ENCUMBRANCES

The Condominium will be subject to the normal utility easements for water, sewer, gas, electric and telephone lines. In addition, the Condominium will be subject to certain easements created by the Declaration and by the Pennsylvania Uniform Condominium Act. These easements include (without limitation):

- (1) By virtue of easements for encroachments, Unit Owners and the Association are protected in the event that a Unit or Common Element encroaches upon another Unit or Common Element;
- (2) The Declarant may use any sold or unsold Units in the Condominium as models or as sales, leasing or management offices and may place advertising signs anywhere within the Condominium. Similar use may be made of management offices and portions of lobbies. This easement ceases upon the sale by Declarant of every Unit, or upon the execution of a written waiver of such rights by Declarant;
- (3) The easement provided for in Section 3218 of the Act which allows the Declarant an easement through the Common Elements as may be reasonably necessary to facilitate the completion of the Condominium upgrade work, if any, or the exercising of any Special Declarant Rights;
- (4) Easements in favor of the Unit Owners, the Association and their invitees, employees, tenants and servants for access, egress and ingress over, through and across each portion of the Common Elements pursuant to such requirements, and subject to such charges as the Executive Board may from time to time prescribe; provided, that nothing contained in the Declaration creates any access easement in favor of Unit Owners with respect to portions of the Common Elements which are not needed in order to gain access to one or more Units and as to which the Executive Board may from time to time determine it to be necessary or desirable to limit or control access by Unit Owners or the occupants of Units, or both (including, by way of illustration and not

limitation, machinery and equipment rooms);

- (5) An easement in favor of the Association granting it the right to inspect, maintain, repair and replace all or portions of the Common Elements and the Limited Common Elements;
- (6) Each Unit has, to the extent necessary, an easement for structural support over every other Unit in the Building, the Common Elements and the Limited Common Elements and each Unit and Common Element is subject to an easement for structural support in favor of every other Unit in the Building, the Common Elements and the Limited Common Elements;
- (7) The Units and the Limited Common Elements are also subject to the following easements: (A) in favor of the Association for inspection of the Units and Limited Common Elements to verify the performance by Unit Owners of their maintenance and repair responsibilities as well as for inspection, maintenance, repair and replacement of the Common Elements and the Limited Common Elements which are situated in or accessible from such Units or Limited Common Elements or to correct emergency situations; and (B) in favor of the Unit Owners benefitted thereby and the Association for the installation of utility lines, pipes, ducts and conduits which pass across or through a portion of one or more Units;
- (8) Until the completion of all refurbishments in individual Units, the Declarant is granted an easement through the Units necessary to complete planned refurbishments.

If the Condominium Property is presently subject to liens of certain mortgagees, the Declarant will cause the liens of these mortgages to be released on any Unit sold at the time of the conveyance of the Unit. The Condominium Units will be conveyed free of any mortgage liens other than those placed on the Unit by the Purchaser.

The Units will be conveyed together with and subject to the objections to title set forth in the specimen title report attached to Exhibit "A2" hereto.

11. RESTRICTION ON TRANSFER OR USE

There are no restrictions on the resale of a Dwelling Unit or a Commercial Unit by the Unit Owner.

Leasing of Dwelling Units is subject to the following restrictions: no Unit may be leased initially for less than one (1) year other than Units owned by the Declarant and no portion of a Dwelling Unit (less than the entire Unit) may be leased for any period, unless the Unit Owner or lessee (in the case of a sublease) resides in the Dwelling Unit with the lessee or sublessee. All leases must be written and must provide that failure to comply with the Condominium Documents and Rules and Regulations constitutes a default under the lease.

Restrictions upon the use of the Units and Common Elements were discussed in connection with Article VI of the Declaration.

12. UNIT OWNERS ASSOCIATION

The Hager Arcade Condominium Association (the "Association") is the organization responsible for governing the Condominium. The operation of the Association is governed by the Declaration, Bylaws, Rules and Regulations and the Act. Each Unit Owner has a vote in the Association proportionate to the Percentage Interest in the Common Elements appurtenant to his or her Unit. Units with a higher Percentage Interest will have a greater vote in the Association. The votes for each Unit are equal to the Percentage Interest listed for the Unit in Exhibit "B" to the Declaration multiplied by 10,000.

All of the normal operations of the Association will be accomplished under the direction of an Executive Board, which will eventually have five (5) members. The Unit Owners will participate directly in the important policy decisions of the Association by voting. The Declarant appoints a majority of the Board members until the earlier of (i) the expiration of three years after conveyance of the first Unit by Declarant, or (ii) four (4) months after the conveyance of 75% of the Units to purchasers other than Declarant.

Initially, three (3) members of the Executive Board will be appointed by the Declarant. The purpose of the Declarant's retaining control of the Executive Board in the early stages of the Condominium's existence is to ensure the stability of the Association and to administer the Condominium's affairs until the new Unit Owners become familiar with the operation of the project. After

termination of the Declarant's control of the Executive Board, members will be elected by the Unit Owners in accordance with Article XII of the Declaration.

The Executive 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.

13. **FINANCIAL MATTERS**

Unit Owners will be assessed to obtain the funds necessary to meet the budget of the Association. The budget will be adopted on an annual basis but assessments and payment of the assessments will be made on a monthly basis. On the first day of each month, each Unit Owner will pay an assessment of one-twelfth of the amount of the annual budget for his or her Unit.

The amount assessed against each Unit will be based on the Percentage Interest appertaining to the Unit. Each Unit Owner will be responsible for the payment of monthly assessments equal to that percentage of the total annual budget which is equal to the Percentage Interest appertaining to his or her Unit. For example, if a Unit has 0.5% of the Percentage Interests, the Unit Owner will be assessed monthly an amount equal to 1/12 of 0.5% of the total annual budget. The Owner of a Unit with a higher Percentage Interest will be assessed a greater portion of the budget. The Declarant will pay full Common Expense assessments on all unsold Units from the date Common Expense assessments begin.

The budget will cover all anticipated Common Expenses for the upcoming fiscal year. The budget will also include whatever amount the Executive Board considers necessary as an adequate reserve to provide for unforeseen contingencies, working capital and repair or replacement of Common Elements. There are no services not reflected in the budget that Declarant currently provides, or expenses that Declarant currently pays and expects may become at any subsequent time a Common Expense of the Association.

There is no current balance sheet for the Association. The Declarant has prepared a proposed budget for the first fiscal year of the Condominium's operation commencing on January 1, 1995 and ending on December 31, 1995. A copy of the budget is attached to this Public

Offering Statement as Exhibit "E". The budget figures are, of course, estimates and the Declarant 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 management consultants and review of information regarding expenditures in prior years and the Declarant believes that the figures represent the best estimates obtainable. In the event that insufficient funds are budgeted for any given fiscal year, the Executive Board may levy one or more further monthly assessments to make up the budget deficit.

A Unit Owner must pay directly all of the costs of maintenance and repair for his own Unit. The Unit Owner must pay to the applicable public utility company the cost of electricity which is separately metered as consumed within the Unit and the cost of the gas consumed to heat the Unit which is separately metered. The charges for utilities for the Common Elements are Common Expenses which will be apportioned among all Unit Owners.

All of the amounts assessed against a Unit give rise to a lien on that Unit. The Unit Owner cannot dispose of his Unit free of the lien until the lien is satisfied by payment of the assessments secured by the lien. If a Unit Owner is in default for sixty (60) days in the payment of sums due, the Executive Board may accelerate all assessments to become due for the balance of the fiscal year, thereby making such sums immediately due and payable. The Association may obtain payment of past due assessments by foreclosure of the lien (resulting in a forced sale of the Unit) and/or by suing the Unit Owner.

The Unit Owners have the right to reject any budget or any capital expenditure within thirty (30) days after the same is sent to all Unit Owners pursuant to Section 5.2.2 of the Bylaws.

The Executive Board of the Association, acting on behalf of the Unit Owners as a group, will have the power to determine the terms and conditions upon which Unit Owners, and their tenants and guests and other non-residents of the property will have the right to use portions of the Common Elements not needed to provide access to, or otherwise to serve directly, any Units, including (but not limited to) decisions regarding whether to charge user fees for access to such facilities and related facilities and (if so) the amount of these fees. The Executive Board will also have the right to change these fees and charges.

14. INSURANCE

The Executive Board will obtain master insurance policies to protect the Association and, to a certain limited extent, the Unit Owners as individuals.

The Building, including the Units, will be covered by fire and property damage insurance. The coverage will be on an extended coverage basis and in an amount equal to the full replacement cost of the Building. This coverage will insure fixtures, equipment and other personal property conveyed by the Declarant and located within a Unit on the date the Unit is first conveyed to a Purchaser. Other personal property belonging to a Unit Owner will not be covered.

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

The Executive Board will also maintain appropriate worker's compensation insurance and fidelity bond coverage to protect against dishonest acts on the part of officers, Board members and employees of the Association.

The Declarant strongly recommends that each Unit Owner obtain insurance coverage on his personal property and liability exposure not covered by the Association policy. The Unit Owner should be aware, however, that there are certain restrictions and requirements regarding this type of additional insurance in the Declaration.

15. TAXES

Real property taxes are levied separately against individual Condominium Units and each Unit Owner will be responsible for the payment of the taxes on his or her own Unit. The assessed value of the Units is presently unknown since the tax assessor cannot assess separate Units until the Declaration is recorded.

As of the effective date of this Public Offering Statement, the formula for determining the real property taxes for each Condominium Unit is as follows: $\text{Price} \times 18\% = \text{Assessed Value} \times 126.5 \text{ (mills)} = \text{Yearly Taxes}$.

Estimates of the monthly real estate taxes applicable to each Unit are available from the marketing staff.

Declarant can make no guaranty with respect to these tax estimates since governmental departments over which Declarant has no control have the duty to determine the manner of assessment and amount of taxes.

16. ZONING, HOUSING, BUILDING CODES AND ACCESS TO THE CONDOMINIUM

A. Zoning

The Condominium land is currently zoned CB - Central Business, which permits a variety of retail and service commercial uses, and offices, apartments and limited distribution uses, including the contemplated use of the Premises as a residential and commercial condominium.

B. Housing and Building Codes

Any upgrade work will be in compliance with all applicable regulation codes. The Declarant has no knowledge of any currently outstanding notices of uncured violations of such codes.

C. Access to the Condominium

The Dwelling Units have their own security entrance on the North Market Street side of the Building, via a security intercom system. There is also a passenger elevator available to the Dwelling Unit Owners that accesses the units from the basement to the second through the fifth floors. The Dwelling Unit Owners also have the availability of a freight elevator.

While the passenger elevator is limited to the use of the Dwelling Unit Owners and not for commercial use, Commercial Unit Owners have the availability of another freight elevator which is accessible from the basement or the loading dock to the first floor.

17. WARRANTIES

Each Unit Owner will receive the statutory warranty against structural defects in components installed by the Declarant and work done or improvements made by the Declarant, covering his or her Unit for one (1) year from

the date of settlement, and covering the Common Elements for two (2) years from the date the first Unit is conveyed or from completion of the particular Common Element, whichever is later. No other warranties are given. No action to enforce the warranties may be commenced later than six (6) years after the warranty begins.

"Structural defects" mean those defects in components of the Unit or Common Elements which require repair, renovation, restoration or replacement and

(A) which reduce the stability or safety of the Buildings below accepted standards; or

(B) which restrict the normal intended use of all or part of the Building.

These warranties shall not be construed to make Declarant responsible for any items of maintenance relating to the Unit, the appliances or the Common Elements.

Declarant warrants that the Unit and the Common Elements have been inspected for structural and mechanical defect and that any such defects found have been repaired.

EXCEPT AS SET FORTH ABOVE, THE UNIT, THE COMMON ELEMENTS, AND ALL PERSONAL PROPERTY TO BE SOLD IS SOLD "AS IS".

18. INSPECTION OF THE UNIT

Prior to settlement on a Unit, unless the Unit is occupied by the prospective Purchaser, the Declarant will notify the Unit Purchaser that the Unit is ready for inspection. The Purchaser will then be permitted to inspect his Unit and note any defects. The Declarant will correct any legitimate defects prior to settlement. If the Purchaser fails to inspect his or her Unit, he or she must accept his or her Unit in an "as is" condition except for the warranties described above.

19. PENDING LITIGATION

As of the effective date of this Public Offering Statement, there are no judgments against the Association and the Association is not a party to any pending litigation. Declarant knows of no litigation, currently pending or threatened, which could materially adversely affect the Condominium.

20. DECLARATION AS TO CONDITIONS

The Declarant represents that the information set forth in the Engineering Report attached as Exhibit "F" hereto is its declaration of the conditions set forth therein and its best estimate of the estimated useful life and replacement cost (in current dollars) of all structural components and major utility installations.

All items involved in any upgrading program will be new and in good order and condition constructed or installed during the period of upgrading work referred to below. Some of the items now existing or referred to herein will involve periodic maintenance and/or replacement and will not result in assessments for the full replacement cost in a single year. Useful life estimates are averages and useful lives of particular items may vary. Useful lives are estimated under the assumption that all items will be properly maintained and not misused.

21. GENERAL INFORMATION

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

The Declarant 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 materially affect the substance of the Public Offering Statement with respect to prior Purchasers or Purchasers under contract.