

PURCHASER SHOULD READ THIS DOCUMENT FOR HIS OR HER OWN PROTECTION

PUBLIC OFFERING STATEMENT

NAME OF CONDOMINIUM: THE PROMENADE AT JOHN TYLER, A CONDOMINIUM

LOCATION OF CONDOMINIUM: 5304 JOHN TYLER HIGHWAY
WILLIAMSBURG, VIRGINIA 23185

NAME OF DECLARANT: FRANCISCUS AT PROMENADE, LLC

ADDRESS OF DECLARANT: 616 VILLAGE DRIVE, SUITE G
VIRGINIA BEACH, VA 23454

EFFECTIVE DATE OF PUBLIC OFFERING STATEMENT: June 7, 2017

THE PURCHASER SHOULD READ THIS DOCUMENT FOR THE PURCHASER'S OWN PROTECTION. Living in a common interest community carries with it certain rights, responsibilities, and benefits, including certain financial obligations, rights, and restrictions concerning the use and maintenance of units and common elements, and decision-making authority vested in the unit owners' association. The purchaser will be bound by the provisions of the condominium instruments and should review the Public Offering Statement, the condominium instruments, and other exhibits carefully prior to purchase.

This Public Offering Statement presents information regarding Condominium Units being offered for sale by the Declarant. Virginia Law requires that a Public Offering Statement must be given to every Buyer in order to provide full and accurate disclosure of the significant features of the Condominium Units being offered. The Public Offering Statement is not intended, however, to be all-inclusive. The Buyer should consult other sources for details not covered by the Public Offering Statement.

The Public Offering Statement summarizes information and documents furnished by the Declarant to the Virginia Common Interest Community Board. The Board has reviewed the Public Offering Statement to ensure that contains required disclosures but the Board does not guarantee the accuracy or completeness of the Public Offering Statement. In the event of any inconsistency between the Public Offering Statement and the material it is intended to summarize, the latter will control.

Under Virginia Law, a Buyer of a Condominium Unit is afforded a 5-day period during which he or she may cancel the contract of sale and obtain a full refund of any sums deposited in connection with the contract. The 5-day period begins on the contract date or the date of delivery of a Public Offering

Statement, whichever is later. The Buyer should inspect the Condominium Unit and all of the Common Elements and obtain professional advice. If the Buyer elects to cancel, he or she must deliver notice of cancellation to the Declarant pursuant to Va. Code Ann. § 55-79.88.

Allegations of violations of any law or regulation contained in the Condominium Act or the Condominium Regulations should be reported to the Virginia Common Interest Community Board, Perimeter Center, Suite 400, 9960 Mayland Drive, Richmond, Virginia 23233.

SUMMARY OF IMPORTANT CONSIDERATIONS

Following are important matters to be considered in acquiring a Condominium Unit. They are highlights only. The Public Offering Statement should be examined in its entirety to obtain detailed information.

1. The Condominium will be governed by a Unit Owners' Association (the "Association"). After a period of Declarant control described in paragraph 7 below ("Declarant Control Period"), the Association will be governed by a Board of Directors elected annually by all the Unit Owners (including the Declarant as long as the Declarant is still a Unit Owner). Each Unit Owner will have a vote on certain decisions of the Association after the Declarant Control Period, and each Unit Owner will be bound by all decisions of the Association and its Board of Directors, including those decisions with which he or she disagrees. See Narrative Section K.
2. Certain decisions of the Association will be made by its Board of Directors. See Narrative Section K.
3. The expenses of operating the Association will be paid by the Unit Owners on the basis of an annual budget, which may be adjusted during the fiscal year. The annual budget shall include an amount for reserves. Each Unit Owner will pay an annual assessment in monthly installments and may be required to pay special assessments. A Unit Owner cannot reduce the amount of his or her assessments by refraining from use of the Common Elements. See Narrative Section M.
4. If a Unit Owner fails to pay a common expense assessment (or an installment thereon) when due, the Association will have a lien against his or her Condominium Unit, and the Association may also pursue a civil action to obtain a judgment against the Unit Owner individually. Certain other penalties may also be applied. See Narrative Section M.
5. The Declarant must pay assessments on unsold Condominium Units. See Narrative Section M.
6. None of the Declarant, its predecessors or principal officers has undergone a debtor's relief proceeding.
7. The Declarant will retain control of the Unit Owners' Association and will control the membership of the Board of Directors for a period expiring on the earlier of (i) the date on which Units to which seventy-five percent or more of the aggregate Common Element Interests appertain have been conveyed to Unit Owners other than the Declarant or (ii) five years after the date on which the first Condominium Unit has been conveyed to a Unit Owner other than the Declarant (the maximum time period permitted by Section 55-79.74(a) of the Condominium Act). For purposes of the preceding sentence, the calculation of Common Element Interests shall be based, at any given time, on the Common Element Interests to be assigned to all Units then registered

with the Virginia Common Interest Community Board. See Narrative Sections C and D.

8. A managing agent will perform certain routine operations of the Association in conformity with the Condominium Instruments. The managing agent shall not be related to the Declarant, or any director or officer of the Association. See Narrative Section K.

9. There are no restrictions on the right of the Declarant or Declarant's Mortgagee to rent unsold Condominium Units. Unit Owners are permitted to lease their Units in compliance with the Condominium Instruments and any rules and regulations adopted by the Board of Directors. No Unit shall be rented, used or occupied for transient use, hotel purposes, temporary lodging, vacation rental or any other type of short term rental. No Unit shall be rented for an initial period of less than six (6) months. No unit shall be subleased. No portion of a Unit, other than the entire Unit shall be leased for any period. See Narrative Section J.

10. The Declarant may expand the Condominium without the consent of any Unit Owner. See Narrative Section C.

11. The Unit Owners right to sell their Unit is subject to a right of first refusal in favor of James City County. See Narrative Section J.

12. All of the Units are restricted to residential use except that the Declarant may use any Units owned by the Declarant as sales offices, management offices, model units, or rental offices, and the Board of Directors may permit reasonable, temporary, nonresidential uses in designated Units (and/or Common Elements) from time to time. See Narrative Section C.

13. The Unit Owner may not alter the structure of his or her Unit or modify the exterior of his or her Unit without the approval of the Board of Directors of the Unit Owners' Association. See Narrative Section D.

14. The Association will obtain certain insurance benefitting the Unit Owner. Each Unit Owner is required to maintain a condominium unit owner's policy at all times. See Narrative Section O.

15. The Unit Owner will pay real estate taxes on his or her Condominium Unit. See Narrative Section P.

16. Marketing and sale of Condominium Units will be conducted in accordance with the Virginia Fair Housing Law (Code of Virginia Section 36-96.1 et seq.) and the Virginia Condominium Act (Code of Virginia Section 55-79.52(c)).

17. The Condominium is not subject to development as a timeshare.

18. The Unit Owner's right to bring legal action against the Declarant is limited by certain

provisions of the purchase agreement including: (1) Warranty disputes are required to be submitted for final and binding arbitration; and (2) Declarant may pursue specific performance, termination, damages, other relief, and attorney fees for Buyer Default.

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A. THE CONDOMINIUM CONCEPT

Units and Common Elements. Some scholars trace variations of the condominium concept back to the Middle Ages or even more ancient times. In its modern American form, the condominium concept was rarely used in the United States of America before the 1960's. In a contemporary American condominium, a parcel of land is divided into Units, each of which is individually owned, and Common Elements, which are collectively owned by all the Unit Owners. Each Unit Owner owns title to a Unit together with a fractional undivided interest in all of the Common Elements. That fractional share, which is called the Unit Owner's "Common Element Interest," determines the share of the Common Expenses of the Association which a Unit Owner will have to pay (except for some expenses which may be specifically assessed against the particular Unit Owners causing or specifically benefitting from them) and is also used in determining a Unit Owner's share of ownership in the entire Condominium if it is ever terminated. A Unit and its Common Element Interest cannot be sold separately from one another. They must always belong to the same person or group of persons. The Common Element Interests of the Units in this Condominium may not change for any reason, except for expansion of the Condominium. Some condominiums have Limited Common Elements, which are portions of the Common Elements reserved for the exclusive use of those entitled to the use of one or more, but less than all, of the Units.

B. CREATION OF THE CONDOMINIUM.

As of the effective date of this Public Offering Statement, the Condominium has been created. The Declarant has recorded the Declaration of Condominium and Bylaws and Plat in the Clerk's Office of the Circuit Court of James City County. Copies of these Condominium Instruments are attached as Appendices 1, 2 and 3 to this Public Offering Statement. The Declarant reserves the right to amend the Condominium Instruments unilaterally at any time before they are recorded and thereafter to the extent permitted by law. If you sign a contract to purchase a Condominium Unit before the Declaration and the Bylaws have been recorded, the Declarant will send copies of them to you as recorded, within ten (10) days of the recordation date (unless you have previously exercised your right to cancel the contract).

The Declaration. The essential function of the Declaration is to describe property rights within the Condominium. It gives more details than this Public Offering Statement can about the Units and the Common Elements. (Those concepts are explained briefly in Narrative Section C, below). The Declaration also contains definitions, describes certain easements and contains various other provisions. The Bylaws and the Plat and Plans described below are integral parts of the Declaration. The Declaration is attached as Appendix 1 to this Public Offering Statement.

Plat. The essential function of the Plat is to graphically depict the land and improvements which comprise the Condominium. A reduced copy of the Plat is included as Appendix 2-A to this Public Offering Statement, and a full-size copy may be examined at the office of the Declarant (the address of which appears on Page 1 of this Public Offering Statement). The address for the Condominium is 5304 John Tyler Highway, Williamsburg, VA 23185. The initial recorded plat shows the land submitted to the Condominium and the areas of Additional Land that will be added as the construction progresses.

The Plans. The essential function of the Plans is to graphically depict the Units. The Plans show the structures which contain the Units, show the location and dimensions of the boundaries of the Units and bear the identifying numbers of the Units. A reduced copy of the Plans is included as Appendix 2-B of this Public Offering Statement, and a full size copy of the Plans may be examined at the office of the Declarant (the address of which appears on Page 1 of this Public Offering Statement). No Plans were recorded with the initial recording because no buildings will be constructed on the first phase.

The Bylaws. The essential function of the Bylaws is to provide for the manner in which the Condominium is to be governed. The Declarant Control Period is described, and so is the manner in which the Condominium will subsequently be governed by the Association, its Board of Directors, and Committees and agents to be selected by the Board. There are various other provisions, including among other things the Association's budget and enforcing the collection of assessments. The Bylaws are attached as Appendix 3 to this Public Offering Statement.

Amendments. Under the Condominium Act, some amendments to the Condominium Instruments can be made by the Declarant or certain Unit Owners unilaterally. Other amendments require the written consent of the Unit Owners holding two-thirds (2/3) of the votes in the Association. The consent of the Declarant, Mortgagees and/or particular Unit Owners is required for certain amendments of the Declaration and of the Bylaws.

Availability of Documents. In addition to being attached to this Public Offering Statement, copies of each of the documents referred to above may be found at the Virginia Beach office of the Declarant at 616 Village Drive, Suite G, Virginia Beach, VA 23454.

C. DESCRIPTION OF THE CONDOMINIUM

The Condominium will include a tract of land in James City County, Virginia, situated on 18.747 acres shown on the Plat comprising part of Appendix 2. The Condominium is intended to be developed in Fifty-One (51) or fewer phases. The Condominium will be created by recording the Condominium Instruments described in the preceding section of this Public Offering Statement except for the Plans and Amendments. The first phase of the Condominium will consist of Phase 1 with an area of 6.163 acres. Phase 1 includes the roadways for the Condominium. Presently, the zoning density permits the Condominium to be expanded by adding a maximum of One Hundred

Ninety (190) Units on Additional Land with an area of 12.584 acres and the total number of Units in the Condominium would be One Hundred Ninety (190). The Declarant intends to sell all of the Units in all phases of the Condominium but reserves the right to rent any and all unsold Units.

The Declarant has retained the right to add certain land to the Condominium within ten years following creation of the Condominium. While Declarant reserves the right to add the additional land area designated as "Additional Land" on the Plat to the project, Declarant is under no obligation to do so, however, and development may stop at any time and the area designated as Additional Land may be put to other uses and/or sold. The Condominium may be expanded at any time, or from time to time, within ten years after recordation of the Declaration, and in any order or time frame. Should the development not be carried out as intended, the Condominium will, nevertheless, constitute a complete community, albeit a smaller one than originally planned. Up to One Hundred Ninety (190) Units may be created on the Additional Land which contains 12.584 acres. If all of the Additional Land is submitted to the Condominium, the maximum number of Units which may be contained in the Condominium is 190. The Declarant's current plans for the Additional Land, which are subject to change in Declarant's sole discretion, are to construct eleven (11) Ten-Plex Units and forty (40) Duplex Units, for a total of 190 Units.

The Condominium Instruments restrict all of the Units in the Condominium to residential use and home-based business use as permitted within parameters established in the Declaration. See Sections 10.1 and 10.2 of the Declaration. However, this restriction does not apply to Units owned by the Declarant. Although the Declarant does not intend or plan to rent any of the Units, the Declarant may lease its Units on terms it deems appropriate in its sole discretion, and may use Units as models or as a sales office or in any other capacity associated with its sale of the Units. It may rent the unsold Units, if market conditions so warrant. The Declarant does not intend to sell more than twenty percent (20%) of the Units to persons who do not intend to occupy them as their primary residence.

The Condominium is intended to comply with underwriting guidelines of the secondary mortgage market agencies, including the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Virginia Housing and Development Authority.

The Condominium is not subject to development as a "time-share condominium."

D. INDIVIDUAL UNITS

1. Unit Boundaries. Generally speaking, each Unit consists of the space bounded by the walls, floor and the ceiling of the Unit but does not include ducts, conduits, wires, pipes or bearing walls or columns that lie partially within and partially outside of such Unit and that serve more than one Unit. Each Unit also includes interior partitions, floor coverings (carpet, flooring, tile, etc.), wall board and wall finishes, interior and exterior doors, any portions of heating and air conditioning apparatus which serve only that Unit, and any portion of the plumbing, electrical, and mechanical

systems serving only that Unit, whether or not any of the foregoing are located within the physical boundaries of any Units. The sheds shown on the plans of the 10-plex buildings are deemed to be part of the Unit.

2. Units Offered. The Declarant will offer two different design collections at The Promenade. The Metro Collection (the Ten-Plex buildings) are “apartment style” units with surface parking, and Metro Collection Homes (the Duplex buildings) are “duplex style” units with rear alley loaded driveway and garage parking.

The Metro Collection has eight model types. The Model A and AR are one-story Units with 1,265 square feet of heated living area, two bedrooms, two bathrooms, living room, dining room, den and kitchen. The Model B is a one-story Unit with 1,206 square feet of heated living area, one bedroom, two bathrooms, living room, dining room, den and kitchen. The Model C and CR are two-story Units with 1,532 square feet of heated living area, two master bedrooms, two and one-half bathrooms, living room, dining room, den and kitchen. The Model D and DR are two-story Units with 1,639 square feet of heated living area, three bedrooms, two and one-half bathrooms, living room, dining room, den and kitchen. The Model E and ER are one-story Units with 1,352 square feet of heated living area, two bedrooms, two bathrooms, living room, dining room, den and kitchen. The Model F is a two-story Unit with 1,559 square feet of heated living area, two master bedrooms, three bathrooms, living room, dining room, loft and kitchen. The Model G is a one-story “efficiency style” Unit with 445 square feet of heated living area, combination living / sleeping room, one bathroom and kitchen. The Model H is a one-story Unit with 845 square feet of heated living area, two bedrooms, one bathroom, living room, and kitchen with dining area. All of the units in the Metro Collection have fence-enclosed patio areas with adjacent storage closets and direct access covered entry porches. The Model C and CR, D and DR and F are available with an optional outdoor deck above the entry porch, entered from a door on the 2nd floor.

The Duets Collection has three model types. The Model A/G is a first floor, one-story Unit with 1,227 square feet of heated living area, direct access one car garage with two driveway parking spaces, two bedrooms, two bathrooms, living room, dining room, kitchen and an adjacent covered patio which may be optionally screened. The Model B/G2 is a second floor, one-story Unit with 1,774 square feet of heated living area, direct access one car garage with two driveway parking spaces, three bedrooms, two bathrooms, living room, dining room, eat-in kitchen and outdoor sundeck. This model has a first floor entry foyer facing the frontage street with stairs to the second floor, as well as stairs from the garage. The Model B/G3 is identical to the Model B/G2 on the first and second floor, but also includes a third floor loft with 545 square feet of heated living area. This third floor loft is optionally available with an additional bedroom, bathroom, walk-in closet and lounge. Both of the B/G model types are available with an optional elevator accessed from the garage and an optional screened porch on the rear sun-deck area.

3. Restrictions on Changes to Structure or Exterior of Units: Binding Effect of Condominium Instruments. Each Unit Owner will own his or her Unit subject to the restrictions, covenants, and

conditions contained in the Declaration and the Bylaws. No Unit Owner shall make any structural addition, alteration, or improvement to his Unit without the prior written approval of the Covenants Committee or the Board of Directors of the Association, as appropriate. No Unit Owner shall alter the exterior of any Unit, including the doors and windows of such Unit, nor shall any Unit Owner paint or alter the exterior of any building except for any exterior items the maintenance and repair of which is the responsibility of the Unit Owner, exterior doors for example. Any such exterior work is subject to the Rules. No signs including "for sale" and "for lease" signs) are permitted to be displayed on Common Elements or on the exterior portion of any Unit except for name plates affixed to the front entrance door to Unit having a size not to exceed nine (9) square inches. All present and future Unit Owners, tenants, and occupants of the Condominium Units shall be subject to and shall comply with the provisions of the Declaration, Bylaws, and the Rules and Regulations as they all may be amended from time to time.

4. Anticipated Completion Date. The Units shall be completed in Phases. The Declarant anticipates 51 phases to add the 190 Units. If fully constructed, the Declarant anticipates completion by December 2020.

E. COMMON ELEMENTS

1. Introduction. Each Unit is allocated an undivided interest in the Common Elements in accordance with that Unit's respective Percentage Interest. Each Unit's Percentage Interest is on an equal basis and is expressed as a fraction. Each Unit's Percentage Interest will be reduced if and as the Condominium is expanded pursuant to Article 6 of the Declaration.

2. Description of Common Elements. The Common Elements are all portions of the Condominium other than the Units. The Common Elements are of two types, depending on their intended use. Common Elements not assigned as Limited Common Elements are to be used by all Unit Owners for their intended or designed purpose, subject to certain easements. Limited Common Elements are to be used only by the owners occupants, and guests of the Unit or Units to which the Limited Common Element are assigned, subject to certain easements. Use of Common Elements, including Limited Common Elements, by Unit Owners and others is subject to the provisions of the Declaration, the Bylaws, and the Rules and Regulations. All Common Elements are owned in common by all Unit Owners as tenants in common.

3. Common Elements. The Common Elements consist of the entire Property other than the Units, including, without limitation, the land, the airspace above the land and above and around the buildings and all other improvements, the airspace within the buildings which is not part of a Unit, all foundations, roofs, exterior walls, and all walls separating Units, all driveway areas, roads, parking spaces, utility distribution apparatus and installations for common use or common maintenance, all common walkways and ducts, conduits, wires, pipes or bearing walls or columns that lie partially within and partially outside of the boundaries of a Unit and serve more than one Unit. The use of the Common Elements (other than for purposes of ingress and egress) shall be conditioned upon

certain requirements such as the payment of assessments levied against each Unit by the Board of Directors in order to pay the costs of operation, maintenance and repair of the Property (i.e., "common expenses").

4. Limited Common Elements. Limited Common Elements are Common Elements which are reserved for the exclusive use of a particular Unit or Units. Thus, any apparatus designed to serve at least one but less than all of the Units, but located outside the boundary of any Unit or Units served exclusively thereby, are Limited Common Elements and are assigned to and appertain to those Units exclusively (except that HVAC equipment servicing a single Unit is part of that Unit rather than a Limited Common Element). Limited Common Elements include decks, porches, patios and attic space. No storage is permitted in the attic spaces. No attic space may be improved or finished.

5. Anticipated Completion Date. All of the Common Elements within each portion of the Condominium are expected to be substantially complete when the Units in such portion of the Condominium are created. The Proffers require the Declarant to complete the Public Square shown on the Master Plan prior to the issuance of certificates of occupancy for the first building in the area designated as M on the Master Plan. The Declarant is not obligated to complete the clubhouse and pool, two welcome parks, pocket park and community park shown on the Master Plan until such time as it has requested certificates of occupancy from James City County, Virginia for more than 48 Units.

6. Assignment of Limited Common Elements. The following is intended to be only a brief summary of certain provisions relevant to assignment of the Limited Common Elements. All assignments and reassignments of Limited Common Elements shall be reflected in the Condominium Instruments or recorded amendments thereto. No Limited Common Element shall be assigned or reassigned except in accordance with the provisions of the Declaration and the Condominium Act. A Limited Common Element which is assignable may be reassigned to another Unit upon written application of the Unit Owners who are parties to such assignment to the principal officer of the Association. The Declarant has reserved the right to assign to individual Units as Limited Common Elements parking spaces which are initially Common Elements.

7. Parking. The Declarant has reserved the right to assign parking spaces to individual Units as Limited Common Elements. The Declarant is obligated to assign as a Limited Common Element one (1) parking space to each Unit contained within the ten-plex buildings and a driveway space for the Duplex buildings, which assignments are shown on the Plat. The assignments of other parking spaces may be sold by the Declarant.

F. MAINTENANCE, REPAIR AND REPLACEMENT RESPONSIBILITIES.

1. Association Responsibility. The Association is responsible for the maintenance, repair and replacement of the Common Elements and the parking spaces and driveways, including those assigned as Limited Common Elements, unless the need for maintenance, repair or replacement is caused by a Unit Owners negligence or misuse.

2. Unit Owner Responsibility. Unit Owners are responsible for the maintenance, repair and replacement of all portions of his or her Unit and certain Limited Common Elements that they alone use. This includes doors, windows, glass, screens, patios, porches, decks, railings, sheds (for the 10-plex buildings) and attic spaces (for the Duplex buildings), electrical panels, electric wiring, electric outlets and fixtures, refrigerators, dishwashers and other appliances, drains, plumbing fixtures and connections, and the interior of the Unit.

See Article 12 of the Declaration.

G. THE DECLARANT

The Declarant, a limited liability company organized under the laws of the Commonwealth of Virginia, was created for the purpose of developing the Condominium. The Manager of the Declarant is Franciscus Homes, Inc., which has been involved previously as Declarant or Principal of Declarant in the development of many residential condominium projects in Virginia Beach, Chesapeake, Suffolk, Hampton and Williamsburg, Virginia.

The person immediately responsible for development of the Condominium is Mr. Gary L. Werner. Mr. Werner has been associated with the Manager of the Declarant since 1984. Mr. Werner will be actively involved in all phases of the Condominium development, including planning, construction and development, and marketing. Mr. Werner has been involved in real estate development for a number of years, primarily through his relationship with Werner Enterprises, Inc. and Franciscus Homes, Inc.

Franciscus Homes, Inc. is the only member and owns 100% of the Declarant. The principal business of Franciscus Homes, Inc., is developing property and building residences for sale.

Neither the Declarant, Franciscus at Promenade, LLC, its Manager, Franciscus Homes, Inc., or Mr. Gary L. Werner have been adjudicated bankrupt or undergone any proceeding for the relief of debtors, nor have they been subject of any final action in any administrative agency or civil or criminal court action which reflects adversely upon their performance as developers of real estate projects. No other entity has the obligation to satisfy the financial obligations of the Declarant.

H. TERMS OF THE OFFERING

The offering prices for Units, as of the effective date of this Public Offering Statement are as follows:

Metro Collection (10-plex buildings)	\$ 179,000.00 to \$ 229,000.00
Duets Collection (Duplex buildings)	\$ 219,000.00 to \$ 299,000.00

A Unit purchaser may apply for financing from any lender or may pay all cash at settlement. Each Unit purchaser will be responsible for satisfying the credit requirements and conditions established by the lender or lenders. Financing is subject to additional terms and conditions stated in the loan commitment

or instruments which the Unit Owner receives from its lender.

The Declarant has reserved the right to cancel or terminate any Purchase Agreement if purchaser defaults or fails to obtain a written loan commitment within the time period specified in the Purchase Agreement.

At settlement, the Unit purchaser will be required to pay, in addition to the purchase price of the Unit, the usual closing costs associated with the purchase of residential real estate. These closing costs include the recording fees and taxes for the deed (except the Virginia Grantor's tax which will be borne by the Declarant), any application or other fees charged by the purchaser's lender, the recording fees and taxes for the deed of trust, the premium for title insurance, if purchased, and the purchaser's attorney's fees.

Also, the initial purchaser of a Unit will be required to make a non-refundable initial capital contribution to the Association equal to the estimated assessments for common expense attributed to the particular Unit being purchased for three (3) months. (See Appendix 4, projected Budget.) The general purpose for this contribution is to provide for certain prepaid items, such as insurance premiums, organizational expenses, equipment and supplies.

The Purchase Agreement provides that in the event that the purchaser defaults under the Purchase Agreement: (a) the purchaser of a Unit will be required to pay the attorney's fees of the Declarant incurred in enforcing its rights against the purchaser and (b) the purchaser will forfeit any deposit that it has made (in addition to other remedies that the Declarant may pursue).

The Purchaser may cancel the contract of purchase within a 5-day period and obtain a full refund of any sums deposited in connection with the contract. The 5-day period begins on the contract date or the date of delivery of a Public Offering Statement, whichever is later. If the Purchaser elects to cancel the contract, notice by hand-delivery or U.S. Mail, return receipt requested must be given to the Declarant.

The Declarant shall escrow the earnest money deposits as set forth in the Purchase Agreement in accordance with Va. Code Ann. § 55-79.95.

I. ENCUMBRANCES

The Condominium is and will be subject to the normal utility easements for water, cable, sewer, electricity (including the easements listed below), gas, stormwater drainage and telephone. The Condominium will be subject to certain easements created by the Declarant and by the Virginia Condominium Act. These easements include:

1. Easement for Encroachments. This easement protects the Unit Owner and the Unit Owners' Association in the event that a Unit or Common Element encroaches upon another Unit or Common Element.

2. Easement for Ingress and Egress. Each Unit Owner has a right of access to the Common Elements, subject to any rules, regulations and restrictions established by the Unit Owners' Association.

3. Easement for Access to Units. Authorized representatives of the Association, including the Declarant or the managing agent, may enter any Unit to the extent necessary to correct conditions threatening other Units or the Common Elements to make repairs to the Common Elements which are accessible only from the Unit, or to correct conditions which may constitute violations of the Declaration, the Bylaws or any regulations of the Association. Notice must be given to the Unit Owner prior to any entry, except in case of an emergency when a Unit may be entered without notice. In the event of a violation of the Declaration or Bylaws, the violation may be corrected without the consent of the Unit Owner and the Unit Owner may be charged with the resulting expense. The collection of such expenses may be enforced by means of the statutory lien for assessments.

4. Easement for Support. Each Unit Owner has the benefit of a restriction upon any action of a neighboring Unit Owner, or of the Association with respect to the Common Elements, which would endanger the structural integrity of any of the buildings or safety of his or her Unit.

5. Easement to Facilitate Sales. Initially, the Declarant may use one or more of the Units as a sales office and model unit. The Declarant may move either the sales office, the model unit, or both, to any other unsold Unit.

6. Easement of Ingress/Egress for Adjacent Parcels. An easement of ingress/egress exists on the road identified as Kings Road Court to benefit the non-condominium properties abutting and adjacent to Kings Road Court.

7. Declarant's Right to Use and Grant Easements. The Declarant has the right to use and grant to others easements over the Common Elements to facilitate the construction of the Condominium (including expansion) and for utilities and ingress and egress or for other purposes. The Declarant may also grant access, utility and other easements over the Common Elements for the benefit of all or any portion of the Additional Land regardless of whether it is added to the Condominium, or for any adjacent or abutting property.

J. RESTRICTIONS ON TRANSFER

1. Right of First Refusal with James City County, Virginia. The Purchaser's right to sale their Unit is subject to a right of first refusal with James City County, Virginia. The Purchaser's deed shall include the following provision:

James City County (the "County") shall have a right of first refusal to purchase the Unit, and Grantee acknowledges and agrees that Grantee takes title to the Unit subject to such right of first refusal, all upon the following terms and conditions:

A. Should Grantee receive a bona fide offer from a third party for the purchase of the Unit (an "Offer"), which Offer Grantee wishes to accept, Grantee shall promptly provide the County with a notice including a copy of such Offer at the address designated below and offering to sell the Unit to the County on the same terms ("Notice"), and the County shall have the right to elect to purchase the Property on the terms set out in the Notice. If the County so elects, they shall deliver to the Grantee, not more than five (5) business days after its receipt of the Notice, a written, unconditional election to purchase the Unit on the terms set out in the Notice ("Election"), and settlement of the purchase shall take place at the time specified in the Offer.

B. If the Grantee does not receive an Election from the County within five (5) business days of receipt of the Notice by the County, the Grantee shall be free to accept the Offer and proceed to settlement in accordance therewith. In such event, the County agrees to execute an appropriate recordable document acknowledging its election not to purchase the Unit.

C. This right of first refusal shall be extinguished by the proper sale of the Unit to a third party offeror in compliance with this Section. If for any reason a sale to a third party offeror is not completed in accordance with the written Offer submitted to the County, this right of first refusal shall not be extinguished and Grantee shall give written notice as described above prior to sale to any other offeror.

D. All Notices and/or Elections or other communications under this Section shall be in writing and shall be delivered personally or sent by registered or certified United States mail, return receipt requested, postage prepaid, or by other nationally recognized courier service for next day delivery (i) if to Grantee, at the address which the Grantee shall designate in writing in the Notice or, if no such address is designated, at the address of the Grantee's Unit, or (ii) if to the County at County at Neighborhood Development, 101-A Mounts Bay Road, Williamsburg, Virginia 23185, Attention: Administrator, with a copy to the County Attorney, P.O. Box 8784, Williamsburg, Virginia 23187.

2. Leasing. The following rules concerning leasing of Units are set forth in the Declaration and/or Rules:

- (a) No Unit shall be rented, used or occupied for transient use, hotel purposes, temporary lodging, vacation rental or any other type of short term rental. No Unit Owner shall lease his Condominium Unit for a period of less than six (6) months.
- (b) No Unit Owner shall lease a Unit other than on written form of lease requiring the lessee to: (1) comply with the Condominium Instruments and the Rules and Regulations; and (2) providing that failure to comply shall constitute a default under the lease.
- (c) Each Unit Owner is responsible for the lessee's compliance with the Condominium Instruments and the Rules and Regulations
- (d) Each Unit Owner shall, within ten (10) days of leasing the Unit, provide the names and

contact information of the tenants and authorized occupants, and any authorized agent of the Unit Owner, and vehicle information for any tenant or authorized occupant, to the Board of Directors and or the management company.

- (e) A Unit shall be deemed leased by a Unit Owner for purposes of the Rules, whenever it is occupied by a third party who is not a member of the Unit Owner's family, unless the Unit Owner is also occupying such Unit.
- (f) The restrictions on leasing shall not apply to the Declarant or to any Institutional Lender.
- (g) Any Unit Owner who leases a Unit is obligated to deliver a copy of the signed lease to the Board of Directors or to the Managing Agent.

The foregoing leasing provisions shall not apply to the Declarant or any related entity during the period of Declarant control, or any Declarant Mortgagee.

K. UNIT OWNERS' ASSOCIATION

The principal function of the Association is to govern and provide insurance for the Condominium. Other functions of the Association are described in the Bylaws and Articles. The Articles of Incorporation are attached as Appendix 5.

The affairs of the Association shall be managed by a Board of Directors. The Declarant will retain control of the Association by appointing all of the members of the Board of Directors during the Declarant Control Period which is the period expiring on the earlier of (i) the date on which Units to which seventy-five percent or more of the aggregate Common Element Interests appertain have been conveyed to Unit Owners other than the Declarant or (ii) five years after the date on which the first Condominium Unit has been conveyed to a Unit Owner other than the Declarant (the maximum time period permitted by Section 55-79.74(a) of the Condominium Act). For purposes of the preceding sentence, the calculation of Common Element Interests shall be based, at any given time, on the Common Element Interests to be assigned to all Units then registered with the Virginia Common Interest Community Board. During the Declarant Control Period the Board of Directors will consist of three (3) members. Thereafter, the Board of Directors will consist of five (5) directors elected annually by all the Unit Owners (including the Declarant so long as the Declarant is a Unit Owner). The Board of Directors may delegate various powers to one or more directors or other officers.

Under the provisions of the Bylaws, the Board of Directors shall be required to employ a professional manager for the Condominium.

The Association shall employ a managing agent for the Condominium. The Association has not contracted with a managing agent at this point in time. The duration of any agreement to be signed with a managing agent shall be two (2) years. The managing agent shall not be related to the Declarant, although the managing agent may have a contractual relationship to manage other

condominium associations and/or to lease unsold units in condominiums of which affiliates of the Declarant were or are the declarant. Section 3.2 of the Bylaws addresses the criteria for the selection of managing agent. The criteria include that the agent be a bona fide business enterprise which manages common interest residential communities and be a licensed Common Interest Community Manager and that the firm shall have experience in real estate community management and that it employ persons possessing competence in the technical skills necessary for proper management of the Condominium. The agreement with the managing agent will provide that it may be terminated by the Association or the Board of Directors within sixty (60) days after the end of the Declarant Control Period, without penalty, upon ninety (90) days notice.

The officers of the Association will include a President, a Vice President, a Secretary and a Treasurer. Other officers may also be elected. All officers are elected by the Board of Directors. The Officers must be Unit Owners (except during the Declarant Control Period) and members of the Board of Directors.

Each Unit Owner shall have an equal vote in the affairs of the Association.

The Association shall register with the Board upon transition of declarant control by filing the required annual report in compliance with Va. Code Ann. § 55-79.93:1.

The Association may enter a unit in certain circumstances without providing notice to the Unit Owner. The Association or its representatives are empowered to take actions or perform work in a Unit without the consent of the Unit Owner and the Unit Owner may be required to bear the costs of actions so taken or work so performed.

All of the foregoing matters in this Section K are covered in detail by the Declaration and the Bylaws attached hereto as Appendices 1 and 3 to this Public Offering Statement.

The Board of Directors shall have the authority to adopt Rules affecting the Condominium. A copy of the initial Rules are attached as Appendix 6 to this Public Offering Statement.

L. SURROUNDING AREA

The Condominium is located in James City County, Virginia, near Route 5 near its intersection with Route 199. The surrounding areas are zoned B1 General Business and Mixed Use ("MU"). The use and development of the land underlying the Condominium are restricted by zoning and other governmental regulations. The adjacent property includes commercial and business development, and adjacent property may be developed commercially and/or business enterprise.

M. FINANCIAL MATTERS

Each Unit Owner will be obliged to pay a share of the Common Expenses, which include the actual and anticipated expenses of the Association and any allocations to reserve funds which the Association

may maintain. Each Unit Owner will pay an equal share for any regular or special assessment. A Unit Owner cannot obtain a reduction of the Common Expenses assessed against his or her Unit by refraining from use of any of the Common Elements. A projected Budget for the Association is attached as Appendix 4. The figures used in the projected Budget are not guaranteed and may vary. The Annual Budget is adopted by the Board of Directors. At the time of settlement of the purchase of any Unit, the Purchaser shall be required to pay a sum equal to three (3) month's regular assessments, which sum shall be placed in the Association account as its initial working capital. This payment is a capital contribution to the Association, not an advance payment of regular assessments.

The costs of maintenance, repair and replacement of the various portions of the Condominium are generally divided into three categories: (a) those apportioned among and assessed to all of the Units, (b) those apportioned among and assessed to less than all of the Units, and (c) those borne directly by individual Unit Owners. Generally speaking, the costs associated with maintaining, repairing and replacing the Common Elements, including the Limited Common Elements, will be apportioned among and assessed to all of the Units based upon their respective Common Element Interest. Costs which may be apportioned among and assessed to less than all of the Units include costs incurred by the Association due to the conduct of a Unit Owner (or his or her family members, employees, agents or licensors or guests), costs incurred in making the same off-site amenities or paid subscription television service to some or all of the Units (including cable television and data transmission services and security monitoring services) and costs incurred in providing metered utility service to some or all of the Units, if any, (to be assessed based upon actual consumption of services). Each Unit will be separately metered for electrical and water service and the Unit Owner will pay the cost for such services directly to the utility provider.

Each Unit Owner will pay all costs associated with the maintenance and repair of his or her Unit, including windows and doors. This includes the maintenance costs of the air conditioning system, and the plumbing and electrical systems which serve only that Unit. Certain utilities including electricity, telephone, cable, water and trash collection will be separately metered for each Unit with the Unit Owner being responsible for the payment thereof. Any Unit Owner who obtains security monitoring services will be responsible for payment directly to the security provider. Also, each Unit Owner will be responsible for the payment of the real estate taxes assessed against his or her Unit.

A Unit Owner cannot obtain a reduction of the Common Expenses assessed against his or her Unit by refraining from use of any of the Common Elements or by reason of the Association's failure to furnish any services. If a Unit Owner fails to pay assessments, the Association may take legal action against the Unit Owner to collect the assessment, or may choose to foreclose the assessment lien resulting in a forced sale of the Unit.

The Association shall also establish, in such an amount as it may deem necessary, reserve funds for operating contingencies of a nonrecurring nature. A Unit Owner's share of such funds may not be utilized by him or her, and will be deemed conveyed with title to a Unit as an appurtenance.

In the event that the Association has insufficient funds to pay its obligations the Declarant may advance

the funds to pay such obligations or loan funds to the Association. In either case, the Association shall be obligated to reimburse the Declarant for all such amounts, together with interest at a commercially reasonable rate.

N. FLAG DISPLAY.

Display of the American Flag is permitted on the exterior of the Unit provided that the flag does not exceed 3' by 5', is displayed using a flagpole that is attached to the window trim by an exterior flagpole bracket in a color that matches the trim of the Unit and does not permit any water intrusion surrounding the bracket. The flag shall be displayed in compliance with Chapter 1 of the United States Code. No flags shall be permitted on any other part of the exterior of a Unit, nor shall it be permitted to be draped over any railing, or affixed to any window or door.

O. INSURANCE

The Association will purchase a master policy of "all risk" or "special risks" casualty insurance protecting the Association and, to a limited extent, the individual Unit Owners. The buildings and Common Elements will be covered by fire and property damage insurance with an "all risk" "special risks" endorsement, if available. This policy shall be written in a amount equal to the full replacement value of the property covered, with such deductibles as may be determined by the Association. This insurance will not cover (a) the personal property of a Unit Owner located in his or her Unit or (b) improvements to a Unit constructed by its Owner which increases the value of the Unit beyond the limits of coverage provided in the Association's policy.

The Association and the Unit Owners shall also be insured against liability for injury to any person or property arising from ownership of the Common Elements of the Condominium. This insurance 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 Association will also maintain flood insurance if required and available, workmen's compensation insurance and fidelity coverage to protect against dishonest acts on the part of any person who handles funds on behalf of the Association and director and officer insurance and such other insurance as the Directors of the Association determine to be in the best interests of the Association. The premiums for all insurance obtained by the Association are a common expense which shall be included in the Annual Budget and be part of the assessment paid by each Unit Owner.

The Association is required to maintain a blanket fidelity bond or an employee dishonesty insurance policy insuring the Association against loss resulting from theft or dishonesty committed by the officers or directors of the Association, persons employed by the Association, the managing agent, or any employee of the managing agent providing coverage in an amount not less than the amount required by the Condominium Act (currently, an amount equal to the lesser of \$1 million or the amount of reserve balances of the unit owners' association plus one-fourth of the aggregate annual assessment of such unit owners' association, but in no event less than \$10,000).

Each Unit Owner shall be required to obtain insurance coverage on his or her personal property and personal liability protection (commonly known as a condominium unit owner's insurance or HO-6 policy). Such policy shall include sewer back-up coverage and water leak coverage. Special assessment coverage is recommended. A Unit Owner may also insure any improvements to his or her Unit to the extent that these improvements increase the value of the Unit beyond the limit of coverage provided by the Association's policy.

The Association and the Declarant Mortgagee are the only parties that can make a claim under the Association's insurance policies and are the sole decision-maker(s) as to whether a claim should be made. In certain instances the Unit Owner may be responsible for the insurance deductible. Insurance provisions are found in Article 14 of the Declaration.

P. TAXES

Each Unit Owner will receive an individual real property tax bill from the County of James City and will be individually responsible for payment of the real property taxes and assessments. There are no other taxes relating to the ownership of Units of which the Declarant is aware.

As of the effective date of this Public Offering Statement, real property in the County of James City is required to be assessed at one hundred percent (100%) of the fair market value. The tax rate for the County of James City per \$100.00 of assessed value is currently \$.84. The Unit Owners will be able to estimate the annual real property tax on his Unit by dividing the purchase price of his Unit by One Hundred (100) and multiplying the result by the \$.84 tax rate.

Q. GOVERNMENTAL REVIEWS

Site plan approval for the project was obtained on December 7, 2016. The building permits for Phase One of the Condominium have not been issued. Issuance of a site plan approval and a building permit indicates that Phase One of the Condominium complies with the James City County Zoning Code. The Declarant intends to comply with all applicable building codes in the construction of the project. The current zoning designation for the property is MU (Mixed Use).

The Proffers require the Association to maintain the private roadways, and to create, fund and maintain a reserve fund for capital components, including the roadways.

R. WARRANTIES

Each Unit will be covered by the statutory structural warranty provided by Section 55-79.79(B) of the Code of Virginia of 1950 for two (2) years from the date of conveyance; and each Common Element will likewise be covered by the statutory structural warranty for two (2) years from the date the first Unit of the Condominium is conveyed or from completion of that Common Element, whichever is later. Further, the Declarant will warrant the Units to be fit for habitation and constructed in a

workmanlike manner so as to pass without objection in the trade. The warranties provided by the Declarant will exclude the following:

- (a) Cracks, peeling paint, popping nails or other effects of aging, normal settlement, or expansion, contraction, shrinkage or warping of materials that may occur in walls, floors, ceilings, doors or any of the components of the Unit, as long as such defect will not prevent the normal intended use of all or part of the Unit.
- (b) Defects or smudges in painted surfaces, chipping and/or cracking of marble, formica, fiberglass, or tiles, defective or broken glass, spots on carpeting, or similar defects readily visible to the human eye (e.g., a broken window), which are not noted for correction at the time of inspection by the Unit Owner before closing.
- (c) Normal maintenance items or conditions resulting from wear and tear and/or misuse or negligence.

At the settlement of the initial conveyance of each Unit by Declarant, Declarant will sign and deliver to each purchaser, and each purchaser will be required to sign to acknowledge receipt of, a Limited Warranty Agreement which outlines Declarant's warranty obligations as well as the process for making a warranty claim. The form of the Limited Warranty Agreement is attached to this Public Offering Statement as Appendix 7.

Nothing contained in the warranty provided by the Declarant shall limit the protection afforded by the statutory warranty. An action based on Section 55-79.79(B) of the Virginia Condominium Act must be commenced within 5 years after the date such warranty period began or one year after the formation of any warranty review committee pursuant to subsection B of Section 55-79.74 of the Virginia Condominium Act. Before any action is maintained against the Declarant, the claimant, agent or attorney or representative must provide a written statement to the Declarant, by registered or certified mail, setting forth the alleged defect(s) more than six months prior to commencing an action against the Declarant, and the Declarant shall be given a reasonable opportunity to cure the alleged defect within a reasonable time not to exceed five months.

With respect to the Units and Common Elements herein submitted, and for all Units and Common Elements submitted in subsequent phases of the Condominium, any dispute between a Unit Owner and the Declarant or the Association and the Declarant arising out of or relating to the Declarant's warranty pursuant to Section 55-79.79(B) of the Virginia Condominium Act or Declarant's warranty under any other written warranty made and delivered by Declarant to the Association and/or the Unit Owner, shall be settled by final and binding arbitration in accordance with the Construction Arbitration Services or other National Home Insurance Company/Home Buyers Warranty approved rules applicable to the home warranty industry in effect at the time of the arbitration.

S. TERMINATION.

The Condominium may be terminated only by the approval of the Unit Owners to which four-fifths (4/5) of the votes in the Association appertain and with the consent of all Institutional Lenders.