

The following is intended as a general statement regarding the Association's ongoing litigation with the original developer of Bloomsbury Estates, Bloomsbury Estates, LLC/John Bruckel. This disclosure is intended to provide the membership and potential buyers with sufficient information to keep them informed and understand the claims involved. It is not intended to waive any privileges with the Association's attorneys, or to replace any due diligence that a buyer may want to undertake.

Since 2015, the Association has been involved in litigation between the original developer of the Bloomsbury Estates Condominium, Bloomsbury Estates, LLC/John Bruckel; the Association; the North Carolina Department of Transportation; and nominally, individual Unit Owners within the Condominium. There were originally three lawsuits:

15-CVS-16076, *Bloomsbury Estates, LLC v Bloomsbury Estates Condominium Homeowners Association, Inc. et al.* (the "2015 case"). This case generally involves a dispute over the developer's right to construct a Phase 2 of the condominium and exercise of developer rights. Because this case involves a request that the court determine rights that will impact each unit owner, all unit owners are individually parties. However, no discrete relief/recovery is sought from any individual unit owner, and the defense of all unit owners who agree to do so, is handled by the Association's counsel, Law Firm Carolinas.

15-CVS-9786, *Department of Transportation v. Bloomsbury Estates, LLC; Bloomsbury Estates Condominium Homeowners Association, Inc., and County of Wake* (the "DOT case"). This case involved the amount of compensation owed by the DOT for taking of a portion of land within the condominium that was to house phase 2. The DOT has now paid the agreed upon settlement. However, the Association and developer continue to dispute how the funds should be distributed.

16-CVS-15136, *Bloomsbury Estates Condominium Homeowners Association, Inc. v. Bloomsbury Estates, LLC and Sammie, LLC*. (the "2016 case"). This is another lawsuit involving the Association, the developer and a third party entity, related to the developer, concerning development rights and related issues.

The pleadings for these matters run to hundreds, if not thousands, of pages. Anyone who wishes to obtain copies of the pleadings may do so through the Wake County Clerk of Court using the listed captions.

At present, these cases are at various stages of litigation. The DOT case was appealed to the North Carolina Supreme Court over distribution of the condemnation proceeds. This has held up the final trial of issues in the 2015 and 2016 cases, as they depend in part on the distribution of the condemnation proceeds. By way of very gross oversimplification, in the DOT case, the court found that the developer was entitled to the lion's share of the condemnation proceeds because they had lost the right to construct phase 2 due to the expiration of development rights due to the DOT's taking and subsequent construction. The Association contends that the developer cannot simultaneously be paid for a taking of its right to developer, and then get to still construct the phase for which it has been compensated.

We do not know when these cases will ultimately be resolved, but do not anticipate any financial liability to any individual owner and believe that if any judgment was to be entered against the Association, that could also be satisfied out of existing reserves.

No insurance policies are involved in this matter, for defense or coverage.