

**PUBLIC OFFERING STATEMENT
FOR
MORDECAI COTTAGES CONDOMINIUM**

NOTICE TO BUYERS

You must receive a copy of this Public Offering Statement before signing a contract to purchase a unit in the Condominium (a "*Purchase Contract*"). No conveyance may occur until after the seventh calendar day following execution of a Purchase Contract. You have an absolute right to cancel any Purchase Contract during such seven-day period.

If you elect to cancel the Purchase Contract, you may do so by hand delivering or mailing by prepaid United States mail a written notice of such to the Declarant (defined below) before midnight on the seventh calendar day after the date on which you executed the Purchase Contract.

MORDECAI COTTAGES CONDOMINIUM PUBLIC OFFERING STATEMENT

THIS PUBLIC OFFERING STATEMENT (this "**Statement**") identifies and provides information to prospective Buyers (each a "**Buyer**") about the Mordecai Cottages Condominium (the "**Condominium**") and the condominium land units (the "**Units**") within the Condominium, as required by the North Carolina Condominium Act, North Carolina General Statutes Chapter 47C, N.C.G.S. §§ 47C-1-101, et seq (the "**Act**"). This Statement is being delivered to each Buyer prior to the formal acceptance of a binding contract for the purchase of a Unit (the "**Purchase Contract**").

1. Name and Principal Address of the Declarant & Condominium. The Declarant of the Condominium (the "**Declarant**") is Legacy Custom Homes, Inc., whose principal address is 3304 Six Forks Rd, Ste 100, Raleigh, NC 27609. The name of the Condominium is the "*Mordecai Cottages Condominium*." The condominium is located in Raleigh, North Carolina and the addresses of the Units are identified in Exhibit B of the Declaration (as defined below).

2. General Description of the Condominium. The Declarant intends to develop the Condominium as a residential community consisting of up to seventeen residential cottages on the real property described on **Exhibit B** attached hereto (the "**Property**"). The Property will be developed as seventeen (17) land units (the "**Land Units**" or "**Units**"), each with a residential building to be constructed thereon. The Condominium has been created as of the recording of the "*Declaration of Condominium for Mordecai Cottages Condominium*" (the "**Declaration**") in Book 20075, Page 1746, of the Wake County Register of Deeds. The Common Elements outside of the Land Units include landscaping, private roads, driveways, and shared yards. Each Unit will include a driveway area as a Limited Common Element attached to and appurtenant to the Unit. Each Unit will have a post box assigned to it and will be maintained in a designated area of the Condominium to be determined. Each Unit shall also have an undivided interest in the driveways and other common areas of the Condominium as designated in the final. The Units will be restricted to residential use.

3. Number of Units in the Condominium. The Condominium will consist of 17 Land Units.

4. Condominium Documents. Copies of the following condominium documents are attached to this Statement:

- Declaration of Condominium for Mordecai Cottages Condominium - see **Exhibit B**
- Bylaws of Mordecai Cottages Condominium Association, Inc. (the "**Association**") - see **Exhibit B**

There are no Association rules or regulations in effect at this time; but the Declaration allows the Association's Executive Board to adopt rules and regulations as it deems appropriate. There are no contracts or leases to be signed by the Buyer at closing.

5. Balance Sheet and Projected Budget. There is no current balance sheet for the Association. A copy of the projected budget (or current year's actual budget) is attached as **Exhibit E** (the "**Budget**"). The Budget includes: (i) the identity of the entity who prepared the budget; (ii) the occupancy and inflation assumptions used in determining the budget; (iii) the amount of reserves for repairs and replacements (*if any*); (iv) the amount of any other reserves; (v) categorized projected expenses of the Association; and (vi) the projected monthly common expense assessment for each Unit. The budget is based upon good faith estimates of expenses and a 100% collection rate; therefore, the actual budget may be adjusted due to unanticipated cost overages or unexpected costs. Each Unit in the Condominium will be subject to assessment by the Association for a share of the common expenses as specified in the Declaration. All assessments are subject to change in accordance with the terms of the Declaration.

6. Unbudgeted Projected Common Expenses. There are no services which the Declarant provides to the Condominium, nor any expenses which the Declarant pays on behalf of the Association, that are not reflected in the projected budget attached to this Public Offering Statement, or which the Declarant expects may become a common expense of the Association in the future.

7. Initial or Special Fees. In order to capitalize the Association's operating fund, each Buyer shall make a working capital contribution (the "**Capital Contribution**") to the Association at the closing of the purchase of the Unit. The initial amount of the Capital Contribution shall equal three months' assessments levied on that Unit for the fiscal year in which such closing occurs. The Declarant reserves the right to increase the amount of the Capital Contribution in the future based upon the Association's then-current budgetary needs and the applicable Unit's percentage interest of common elements; provided that the amount of the Capital Contribution charged to subsequent Buyers may never be less than the amount previously charged to a similar Unit type. At closing the Buyer shall also: (i) reimburse the Declarant for the Unit's pro rata share of insurance premiums paid by the Declarant for that coverage year; and (ii) pay the Unit's pro rata share of the Association's annual assessment for that month. This Capital Contribution and other amounts described above are in addition to the customary closing expenses charged to Buyers in residential real estate closings in North Carolina.

8. Existing Liens and Encumbrances. The Property is currently encumbered by the following instruments: (i) Deed of Trust in favor of Farmer's & Merchant's Bank, a/k/a F&M Bank recorded at Book 20029, Page 300, and reaffirmed in Book 20029, Page 300, Wake County Registry; (ii) three (3) Deeds of Trust in favor of Bank OZK recorded in Book 20029, Page 321, Book 20122, Page 798, and Book 20122, Page 816, Wake County Registry; (iii) six (6) Deeds of Trust in favor of TowneBank recorded in Book 20116, Page 1082, Book 20116, Page 1094, Book 20116, Page 1106, Book 20116, Page 1118, Book 20116, Page 1130, and Book 20116, Page 1142, Wake County Registry. All existing monetary liens (including the above-referenced Deeds of Trust) on a Unit being purchased shall be paid in full or released at closing of Buyer's purchase of the Unit. The current year ad valorem property taxes shall be prorated at the time of closing (*if determinable*), or upon issuance of the ad valorem property tax bill for such year. Any other easements or encumbrances affecting the Condominium are attached as **Exhibit F**.

9. Declarant Warranties. Declarant makes no representations or warranties as to the condition or health of any shrubs, trees, or plantings located within the Condominium, but will deliver to the Association any nursery's warranties with respect to those plants. No additional express or implied warranties, unless required by law, are or will be made by Declarant.

10. Statutory Cancellation Period. Pursuant to N.C.G.S. § 47C-4-108 the Act:

- (a) Buyer must receive a Public Offering Statement before signing a Purchase Contract.
- (b) No conveyance of a Unit can occur until seven calendar days following the signing of a Purchase Contract (the "**Cancellation Period**").
- (c) Buyer has an absolute right to cancel the Purchase Contract by giving written notice of such cancellation to the Declarant during the Cancellation Period.

Any change, upgrade, or custom orders (each a "**Custom Order**") submitted by Buyer prior to any Purchase Contract shall be an independent contract, distinct from the Purchase Contract, interpreted in accordance with laws applicable to custom orders.

11. Judgments and Pending Suits. There are no known or recorded unsatisfied judgments or pending suits against the Association. The Declarant has no actual knowledge of any pending suits material, or pertaining in any way, to the Condominium.

12. Deposits. Any deposit (*not including deposits for upgrades*) made in connection with the purchase of a Unit (the "**Deposit**") will be held in an escrow account maintained by the Escrow Agent (as identified in the Purchase Contract) in accordance with the terms of the Purchase Contract and N.C.G.S. § 47C-4-110 of the Act. If the Purchase Contract is not timely cancelled by Buyer as provided in N.C.G.S. § 47C-4-108, the Declarant will use the Deposit in funding the costs of construction and otherwise applied to the Purchase Price due at Closing.

13. Restraints on Alienation. No Unit or any interest in any Unit may be subjected to a "*time-share program*" (as defined in the North Carolina General Statutes). Units may be leased as permitted in the Declaration.

14. Insurance Provided. Insurance has been obtained or shall be obtained prior to the date of closing whereby the common elements and the shell building improvements of the Condominium are insured for 100% replacement coverage, less a commercially reasonable deductible not to exceed \$10,000.00. The insurance includes (or shall include) liability and fidelity bond coverage of at least \$1,000,000.00 per occurrence. The Units, including the interior of any Unit and any facilities not defined as Common Elements in the Declaration, are not insured by the Declarant or the Association. The Declarant or the Association will provide a copy of the current insurance policy to any Buyer upon request. Buyers are advised that it is in their interest to examine the specifics of the insurance coverage with their insurance advisor and to obtain such additional and supplemental insurance as they may determine.

15. Future Fees or Charges to be Paid by Owners. Owners of Units will pay annual assessments to the Association for their pro rata share of the common expenses of the Association. In addition, the Association shall have the authority to levy special assessments in accordance with the Declaration, and the Association is authorized to levy specific assessments against particular Units for certain items described in the Declaration. All current and known future fees and charges to be paid for the use of the common elements and other facilities related to the Condominium are listed on the Budget.

16. Financial Arrangements - "Must Be Built" Improvements. The Declarant has sufficient funds or expects to secure sufficient financing to complete construction of all improvements, if any, labeled "*Must Be Built*" pursuant to the Act.

17. Zoning and Land Use Requirements. The Property is zoned R-10, which permits multi-unit residential. The real property upon which the Condominium is situated is not subject to any local zoning ordinances or other land use requirements that will in any way interfere with the intended use of the Condominium, as set forth in the Declaration.

18. Alienation of Common Elements. The Common Elements within the Condominium may be alienated or conveyed only in accordance with N.C.G.S. §47C-3-112. In order to convey the Common Elements, or subject them to a security interest, at least 80% of the persons entitled to cast of the votes in the Association must agree, including 80% of the votes allocated to Units not owned by the Declarant; and if a Limited Common Element, all the owners of Units to which the Limited Common Element is assigned must agree.

19. Development Rights. Declarant (as defined in the Declaration) has reserved certain development rights with respect to the Condominium, all of which are as more particularly in the Declaration (the "**Development Rights**"). These Development Rights include the right to: (i) relocate Land Units boundaries within the Condominium; (ii) convert Land Units or any part thereof into Common Elements, or to convert Common Elements to Land Units; (iii) alter the size of or subdivide a Land Unit; (v) construct and maintain any sales office, management office, or model in any one or more of the Units or on any of the Common Elements; (vi) subject to the limitations set out in N.C.G.S. § 47C-3-103(d) & (e) and the Bylaws, appoint and remove any Executive Board member; and (vii) other rights described in N.C.G.S. § 47C-1-103(11). The maximum number of Units that may be created in the Condominium is 17 Units. All Units created pursuant to the exercise of any Development Right shall be restricted to residential use.

During the Declarant Control Period (as defined in the Declaration), Declarant, in its sole discretion, may exercise any or all of the Development Rights. During the Declarant Control Period, no amendment to or modification of the Development Rights may be made without Declarant's prior, written consent, which it may arbitrarily withhold. With respect to the exercise of these Development Rights, no assurances are made regarding: (a) the compatibility of any buildings or improvements erected with existing buildings and improvements in the Condominium in terms of architectural style, quality of construction, or size; (b) Any additional improvements and Limited Common Elements which may be created within the Condominium; (c) the locations of any building or other improvements which may be constructed within the Condominium; (d) the general types or sizes of any additional Limited Common Elements that may be created within the Condominium; or (e) the proportion of any Limited Common Elements to Units created. All Units created pursuant to the exercise of any Development Right shall be subject to all restrictions in the Declaration affecting use, occupancy, and alienation of Units

20. Material Changes to Public Offering Statement. Upon any material change in the information provided in this Statement prior to conveyance of the Unit to Buyer, the Declarant shall cause a written notice of such material change to be delivered to Buyer (the "**Notice of Change**"). Buyer may rescind the Purchase Contract at any time within seven days after its receipt of the Notice of Change. Minor, non-material changes to the information included in this Statement may occur prior to or subsequent to Closing; but such changes shall not re-reactivate the statutory 7-day review period.

[Signatures on Next Page]

Accepted and Acknowledged by Buyer:

BUYER:

_____(SEAL)
Printed Name: _____
Date: _____

_____(SEAL)
Printed Name: _____
Date: _____

All parties identified as "Buyers" in the Purchase Contract MUST sign above.

This Public Offering Statement is only a summary of some of the more significant features of the Condominium and is not intended to substitute for a careful reading of the Exhibits and other documents referenced in this Public Offering Statement, each of which contains additional information which may be material to a decision to purchase a Unit in the Condominium. You are encouraged to consult an attorney or other professional if you need assistance in understanding these documents and the rights, responsibilities, and risks of purchasing property in the Condominium.

Exhibits Attached:

Exhibit A - Purchase Contract Form

Exhibit B - Public Offering Reference Documents

- Property Description
- Condominium Declaration
- Bylaws of Mordecai Cottages Condominium Association, Inc.
- Projected Budget for Association
- List of Recorded Easements