

PUBLIC OFFERING STATEMENT FOR ROYAL COURT CONDOMINIUM

In accordance with the North Carolina Condominium Act, this Public Offering Statement is being offered to contract purchasers of condominium units in the proposed Royal Court Condominium (“Condominium”). It contains a summary of the important features of the proposed Condominium, and must by law be delivered to each purchaser prior to the execution of a sales contract.

Under the condominium form of ownership, the owner of each individual unit will own all of the space bounded by the undecorated interior surfaces of the perimeter walls, ceilings and floors of his particular unit. This space will be owned in fee simple, and the unit owner will have the exclusive right to possess it, subject to easements, restrictions, conditions and obligations set forth in the Declaration of Condominium (as defined herein) and the Bylaws (as defined herein). In addition, each unit owner will own an undivided percentage interest, as a tenant in common with all other owners of condominium units, in all of the common elements of the Condominium. These common elements may include, but are not limited to, the land on which the Condominium will be located, the structural elements and roofs of the Condominium, the stairwells, elevators, corridors and building entrances providing access to the Condominium, the driveways, sidewalks, parking areas and landscaped areas constructed and/or installed in connection with the Condominium, and other common amenities (including, but not limited to, a swimming pool and sundeck, and a poolside pavilion and fitness center) to be constructed in the Condominium and enjoyed by all unit owners. There are also limited common elements that will be assigned specifically to each unit. These limited common elements will include a private balcony (to the extent the final construction plans include a private balcony for an individual unit), an individual HVAC system for each unit (with air handlers located inside each unit and condensing units located outside the units), the utility lines serving the HVAC systems and other utility systems located within each unit, and one designated parking space per unit. These limited common elements are reserved for the exclusive use of the owner of the unit to which they are assigned, and the unit owner shall be responsible for the routine maintenance of these limited common elements, other than the parking space, which will be maintained by the Association as part of the general maintenance of all parking areas within the Condominium. Each unit owner shall also have the option, pending availability, to purchase one additional parking space and an individual storage unit. The additional parking space and individual storage unit will also be considered limited common elements and will be reserved for the exclusive use of the owner of the unit to which they are assigned. Parking spaces and individual storage units not assigned to individual condominium units will be considered common elements and shall be controlled by the Association.

The owner of each unit has the right to use and enjoy all of the common elements located within the Condominium, and all of the limited common elements allocated to his unit, subject to the rules and restrictions contained in the Declaration of Condominium, the Association Bylaws or imposed from time to time by the Royal Court Condominium Owners Association, Inc. (the “Association”). Each unit owner is automatically a member of the Association by virtue of his ownership of a unit, and must pay his share of the cost of maintaining the common elements, and

of managing the Association, all as set forth in the Declaration of Condominium. The Declaration of Condominium, a proposed draft of which is attached hereto as Exhibit B, sets forth the conditions, restrictions, rights, benefits and obligations of unit ownership in the Condominium.

1. Name and address of the Declarant and the Condominium.

- a. Name of Declarant: Royal Court, LLC
- b. Address of Declarant: 801 E. Trade Street, Suite 200
Charlotte, North Carolina 28202
- c. Name of Condominium: Royal Court Condominium
- d. Address of Condominium: Final physical address to be determined.
Property currently has four addresses - 701,
705, 709 and 715 Royal Court, Charlotte,
North Carolina

2. General Description of the Condominium.

The Condominium will be built on a tract of land that consists of approximately 0.7 acres, and is bounded by Royal Court on the south, and Vance Street on the north and the west. The Condominium will initially consist of one (1) building containing a total of approximately one hundred eleven (111) to one hundred twenty-five (125) condominium units. The building will contain approximately ten (10) levels above grade (with Declarant reserving the option to add an eleventh above-grade level pending zoning and other governmental approvals) for individual condominium units and other common element amenities, and two (2) levels below grade for a parking garage and individual storage units. The exterior building material for the Condominium will be a combination of masonry, concrete, glass and stucco. As a limited common element, each unit will have its own HVAC system, with air handlers located inside each unit and condensing units located outside of each unit. The Condominium will have two (2) common stairwells and two (2) elevators with exterior entrances to each. The Condominium will have an entrance from the parking garage and a main entrance from Royal Court.

The individual condominium units will be two-story town homes on the first two above-grade levels (with one (1) flat on the second above-grade level), one and two bedroom flats on above-grade levels three to ten, with plans for penthouses and flats on above-grade level eleven (if governmentally-approved and constructed).

In addition to the individual units, the following common improvements will be constructed in connection with the Condominium: a paved access drive to the Condominium parking garage, a parking garage containing approximately one hundred fifty (150) covered parking spaces, individual storage units to be located in the parking garage, one common mail facility, a swimming pool and sundeck, and a poolside pavilion and fitness center. One designated parking space will be available per unit and conveyed with such unit. Pending availability, unit owners shall be entitled to purchase one additional parking space and an

individual storage unit. Parking spaces that have not been purchased with and assigned to an individual unit will be controlled by the Association and available for the general use of unit owners and their guests on a first-come, first served basis. Individual storage units not purchased with and assigned to an individual unit will be controlled by the Association.

A summary of the condominium units available, and the heated square footage range of each type of unit, is set forth on the schedule attached hereto as Exhibit "A." The percentage interest in the common elements of the Condominium allocated to each unit is based on the heated square footage of that unit (based on the measurements set forth on Exhibit "A"), and is calculated by dividing the heated square footage of that unit by the total heated square footage of all units to be developed, and by multiplying the quotient so calculated by one hundred (100). The percentage interest in the common elements set forth in Exhibit "A" will be used only to calculate the disposition of insurance and condemnation proceeds and each unit's share of common expenses, and will not affect each unit's voting rights in the Association, which shall be equal for each unit.

The "heated square footage" measurements set forth on Exhibit "A" reflect the heated areas of each type of unit, measured from the interior face of interior walls. Federal appraisal guidelines require that condominium units be measured in this manner.

Declarant expects to begin construction of the buildings and other improvements on or before one year following the date this Public Offering Statement is delivered to respective potential purchasers. Declarant discloses that it does not guarantee the completion of the Condominium by any particular date, and that it reserves the right to modify its construction schedule in the future.

3. Number of Condominium Units.

The Condominium will contain approximately one hundred eleven (111) to one hundred twenty-five (125) units.

4. Copies of Declaration, Bylaws, and Other Documents.

a. Declaration: A copy of the proposed Declaration of Condominium for the Condominium is attached hereto as Exhibit "B".

b. Association Documents: A copy of the proposed Bylaws of Royal Court Condominium Owners Association, Inc., a North Carolina non-profit corporation (the "Association"), is attached hereto as Exhibit "C" and a copy of the proposed Articles of Incorporation of the Association is attached hereto as Exhibit "D".

c. Contracts to be Signed at Closing: There will be no contracts or leases to be signed by the purchaser at closing.

d. Contracts and Leases Subject to Cancellation by the Association: The Association is not now a party to any contracts affecting the Condominium. The Declarant

anticipates that, prior to closing on the sale of individual condominium units, the Association will sign a management contract with a third-party management company. Therefore, the attached budget includes a third-party management fee.

5. Current Balance Sheet and Projected Budget for the Association.

a. The Association has not yet been formed, but will be formed by Declarant prior to the first conveyance of a condominium unit, and hence no current balance sheet for the Association exists.

b. A projected budget for the Association for the first year following the first conveyance of a condominium unit is attached hereto as Exhibit "E." The budget includes, as required by the provisions of the North Carolina Condominium Act: (i) an amount included for repair and replacement reserves, (ii) any other reserve amounts, (iii) the projected common expense assessment by category or expenditures for the Association, and (iv) the projected monthly common expense assessment for each unit, which is estimated to be approximately \$.24 per square foot per month.

c. The projected budget for the Association was prepared by the Declarant, and is based on good-faith estimates from subcontractors, an occupancy level of 100% and a collection rate of 100%. The calculations for the reserve amounts have assumed inflation increases of approximately four percent (4%) per annum.

6. Future Common Expenses.

Declarant at the present time does not provide any services and does not pay for any expenses which Declarant anticipates may become a subsequent common expense of the Association, except for those matters that are reflected in the Association's proposed budget.

7. Fee Due From Purchaser at Closing.

Declarant will collect from each purchaser at closing a working capital contribution equal to twice the monthly assessment for common expenses reflected in the initial budget, as well as a pro-rated portion of the monthly assessment for the month of closing. The working capital contribution, which is non-refundable, will be paid over by Declarant to the Association to capitalize the operating funds of the Association.

8. Existing Liens or Encumbrances on the Condominium.

a. Declarant expects that the construction of the buildings and other improvements within the Condominium will be financed by a construction loan from a bank or other institutional lender, which will be secured by a first lien deed of trust on the Condominium. Every unit sold and its related interest in the common elements will be released from this lien at the time of closing on the sell of such unit or shortly thereafter. Declarant further discloses that the property on which the Condominium will be located is currently financed by multiple

acquisition loans secured by first lien deeds of trust on the property. These current deeds of trust will be removed from the property in connection with Declarant's construction loan financing.

b. Each unit will be conveyed subject to the lien of Mecklenburg County and City of Charlotte taxes for the year of closing and all subsequent years, to the extent such taxes are not yet due and payable at the time of closing, the Condominium Declaration and Condominium Plans, and standard title exceptions for general utility service easements and all other recorded encumbrances against the property on which the Condominium will be constructed.

9. Declarant's Warranties.

In addition to the implied warranties of quality contained in N.C.G.S. §47C-114 (that the unit will be free from defective materials, constructed in a workmanlike manner, constructed according to sound engineering and construction standards, and suitable for residential use), Declarant will cause the general contractor that constructs the Condominium to warrant each unit for a period of one year from the date of closing for that unit, in accordance with that contractor's then-prevailing warranty standards. Declarant expressly disclaims any implied warranties relating to the appliances, heating and air conditioning systems, equipment and other personal property located in the Condominium, but will furnish to the purchaser or to the Association all manufacturers' warranties with respect to such items. In addition, 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. In particular, Declarant advises each purchaser that Declarant's (or its contractor's) warranty responsibilities are limited to repairing the defect in materials and workmanship, and that each purchaser shall be responsible for any loss or damage to its personal property, and for insuring such personal property.

10. Purchaser's Right to Cancel.

All purchasers must receive this Public Offering Statement before signing a contract to purchase. No conveyance of title by deed can occur until seven (7) calendar days following the signing of a contract to purchase. The purchaser has the absolute right to cancel the contract to purchase during such seven (7) calendar day period without penalty. Under the North Carolina Condominium Act, a purchaser electing to cancel a contract may do so by hand-delivering notice to the Declarant or by mailing notice by prepaid United States mail to Declarant at the address specified above.

11. Judgments and Pending Suits.

There are no known or recorded unsatisfied judgments or pending suits against the Association or the Declarant or pertaining in any way to the Condominium. There are no pending suits material to the Condominium of which the Declarant has actual knowledge.

12. Escrow Deposit.

a. Any escrow deposit or down payment made by a purchaser in connection with the purchase of a unit will be held in an escrow account with an insured bank or savings and loan institution, as required by the North Carolina Condominium Act.

b. The name of the escrow agent is Laurens Properties, its address is c/o Helen Adams Realty, 2301 Randolph Rd, Charlotte, North Carolina 29207, and the escrow account is deposited with Regions Bank, whose address is P.O. Box 11816, Charlotte, North Carolina 28220-11816. Payments held in such escrow account shall be deemed to belong to the purchaser and not to Declarant. The deposit shall be held in such account until the earlier of (i) expiration of the seven (7) day period during which the purchaser may cancel the purchase contract, and satisfaction of the purchaser's financing contingency under the Purchase and Sale Agreement or expiration of the financing period contingency period, or (ii) the date of cancellation by the purchaser under the seven (7) day right to cancel period. After that date, the escrow agent shall have the right to transfer the deposit to Declarant, or as Declarant directs, without the prior written consent of the purchaser.

13. Restraints on Alienation.

a. No unit or any interest in a unit may be subjected to a time share program, as that term is defined in Chapter 93A, Article 4 of the North Carolina General Statutes.

b. A unit may not be leased for a period shorter than thirty (30) days.

c. No parking space or individual storage unit can be conveyed separate and apart from the condominium unit to which it is assigned; provided, however, that parking spaces and individual storage units may be conveyed to the Association separate and apart from the individual condominium unit to which they are assigned.

14. Insurance Coverage.

The Association has not yet been formed, and currently has no insurance coverage in force. The minimum requirements for the insurance coverage that will be maintained by the Association for the benefit of unit owners are set forth in Article XI of the Declaration, and include, without limitation, 100% replacement coverage on the buildings (less a commercially reasonable deductible not to exceed \$10,000.00), liability insurance with coverage of at least \$1,000,000.00 per occurrence, and fidelity bond coverage. The Association may elect to obtain more extensive insurance coverage once it is organized. Each individual Unit Owner shall be required to carry insurance coverage in accordance with Section 11.7 of the Declaration. You are urged to consult with your insurance adviser to assure that you are aware of the extent of insurance coverage to be provided by the Association, and the advisability of purchasing additional insurance to cover your individual exposure, such as the value of your personal property, or individual liability insurance coverage.

15. Fees for Use of Common Elements.

Other than the annual and special maintenance assessments provided by Section 8 of the Bylaws, there are no present and no known or anticipated future fees or charges to be paid by unit owners for the use of the common elements and other Condominium facilities.

16. Completion of Improvements.

Declarant intends to finance the construction of the improvements in the Condominium with the proceeds of a construction loan from a bank or other financial institution, but Declarant has not yet obtained a commitment for such financing, and makes no representations as to its ability to obtain such financing. Under the terms of the Purchase and Sale Agreement, if Declarant is unable to obtain a construction loan, it may cancel the Contract by delivery of written notice to the purchaser, in which event the purchaser shall be entitled to the return of its earnest money deposit. Even if Declarant obtains a commitment for construction financing, there are no assurances that the proceeds will be sufficient to complete the improvements, or that the construction lender will obligate itself to complete construction in the event of foreclosure.

17. Zoning and Land Use Requirements.

The land on which the Condominium will be developed is zoned MUDD under the terms of the Zoning Ordinance of the City of Charlotte. This zoning classification permits a range of residential and commercial uses. In addition, the Condominium is subject to all use restrictions as set forth in the Declaration (see attached Exhibit "B"), including but not limited to the following:

a. A general limitation that units may be used for residential purposes only, other than any unit maintained by Declarant as a sales or model unit; provided, however, that units may be used for home office purposes by the residents of such units.

b. A general prohibition against unlawful, offensive or obnoxious activity, including limitations on overloading the electrical systems or the load-bearing capacity of the floors.

c. Limitations on the use of the parking areas in the Condominium, including a prohibition against the parking of any vehicles in a manner that blocks that street or the driveway of another unit owner, and a prohibition on the parking of boats, boat trailers, mobile homes, travel trailers, campers or other recreational vehicles within the Condominium at any time.

d. A prohibition against any animals, livestock or poultry of any kind, except for common household pets, and rules regarding pets, such as a requirement that pets not be kept or bred for commercial purposes, that pets be kept on leashes when outside their unit, that no savage or dangerous pets be kept in any unit, and that an owner clean up after any pet that defecates in any common areas on the Condominium.

e. A prohibition against exterior alterations to any unit (including but not limited to the installation of a satellite dish of any type, subject to federal, state and local laws) without the

prior written approval of the Association, and a prohibition against any signs on the exterior of a unit without the prior written approval of the Association.

18. Alienation of Common Elements.

Under the North Carolina Condominium Act and the terms of the Declaration, portions of the common elements of the Condominium may be conveyed by the Association or subjected to a security interest only if persons entitled to cast at least eighty percent (80%) of the votes allocated to units, not owned by the Declarant, agree to the action.

19. Rules and Regulations

The Declaration and Bylaws allow for additional reasonable rules and regulations to be passed by the Association and/or the Executive Board of the Association (“Rules and Regulations”). The Condominium shall at all times be subject to all restrictions, conditions and covenants set forth in such Rules and Regulations.

20. Exhibits

The following exhibits are attached to and are an integral part of this Public Offering Statement:

- a. Exhibit “A” -- Schedule of Units
- b. Exhibit “B” -- Draft Declaration of Condominium
- c. Exhibit “C” -- Draft Bylaws of Association
- d. Exhibit “D” -- Draft Articles of Incorporation of Association
- e. Exhibit “E” -- Projected Initial Association Budget

EXHIBIT A

SCHEDULE OF UNITS AND COMMON ELEMENT OWNERSHIP INTERESTS

The following is a schedule of the number and types of units available at the Condominium, the approximate heated square footage of each type of unit, and the undivided percentage interest in the common elements allocated to each unit:

NUMBER OF DIFFERENT TYPES OF UNITS	APPROXIMATE HEATED SQUARE FOOTAGE RANGE	% INTEREST PER UNIT
8	711	0.005%
9	830-857	0.006%
23	899-1011	0.007%
43	1066-1126	0.008%
12	1220-1264	0.000%
17	1287-1382	0.010%
11 th Floor Penthouse and Flat Units	13,871*	10.3%*

* The total heated square footage and common element ownership interests for the 11th floor will be allocated to the individual units actually constructed on the 11th floor. The development of the 11th floor is contingent on receiving zoning and other governmental approvals. Potential owners that contract to purchase units to be located on the 10th floor do so with the understanding that an 11th floor may in fact be constructed.

EXHIBIT B

**DECLARATION OF CONDOMINIUM FOR
ROYAL COURT CONDOMINIUM**

EXHIBIT C

**BYLAWS OF ROYAL COURT CONDOMINIUM
OWNERS ASSOCIATION, INC.**

EXHIBIT D

**ARTICLES OF INCORPORATION OF
ROYAL COURT CONDOMINIUM OWNERS ASSOCIATION, INC.**

EXHIBIT E

PROJECTED INITIAL ANNUAL BUDGET