

PUBLIC OFFERING STATEMENT
WHITEHALL FARM CONDOMINIUM
MIDDLETOWN, RHODE ISLAND

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INTRODUCTION

This Public Offering Statement is divided into two parts. The first part, entitled "Narrative", summarizes the significant features of the Condominium as required by the Act and presents additional information which may be of interest to prospective purchasers. The second part contains the following exhibits (the "Exhibits"), which are a part of this Public Offering Statement: Exhibit 1 is the Declaration of Condominium which the Declarant intends to record (the "Declaration"); Exhibit 2 is the proposed form of Purchase and Sale Agreement for individual units including all exhibits attached thereto (the "Agreement"); Exhibit 3 is the title information which includes a title report, a specimen Unit Owner's Title Policy and a pro forma deed for individual units; Exhibit 4 is the project budget (the "Budget") for the first year of operation of the Condominium; Exhibit 5 explains the types of insurance policies to be obtained by the Condominium Association; Exhibit 6 is the Condominium Management Agreement; and Exhibit 7 is a copy of the Minutes of the meeting of the Middletown Planning Board at which the final approval for the Condominium Project was granted.

The Narrative is not intended to provide a complete or detailed discussion of the Condominium, and the Purchaser should review carefully all parts of this Public Offering Statement. The Declarant's sales persons and other representatives are prohibited from orally changing any of the terms and conditions of this Public Offering Statement or of the documents that are part of this Public Offering Statement and may not attempt to interpret their legal effect.

Any term that is capitalized in the Narrative and is not specifically defined in the Narrative will have the meanings which are given to it in the Act, the Declaration, the By-Laws of the Condominium Association or the Agreement, as applicable.

PART I

IMPORTANT NOTICE

The following statements are made in compliance with the requirements of Sections 34-36.1-4.02 through 4.04 of the Rhode Island Condominium Act of 1982, as amended (the "Act"):

Within ten (10) days after receipt of this Public Offering Statement, before conveyance, the Purchaser may cancel any agreement he or she has executed for the purchase of a Unit in Whitehall Farm Condominium (the "Condominium") from the Declarant. If the Purchaser elects to cancel the agreement for the purchase of a Unit pursuant to the immediately preceding sentence, he or she may do so by hand delivering notice of cancellation to the Declarant (in which case a receipt should be obtained) or by mailing the notice by postage prepaid United States mail (in which case return receipt requested is advised). This cancellation of the purchase and sale agreement is without penalty and all payments made by the Purchaser before this cancellation will be refunded promptly by the Declarant.

If the Declarant fails to provide a Public Offering Statement (and all amendments thereto) to a Purchaser before conveying a Unit, then Purchaser may recover from the Declarant, in addition to any other relief, damages as provided in Section 36.1-4.03(11) of the Act, consisting of an amount equal to ten percent (10%) of the sale price of the Unit.

If a Purchaser receives the Public Offering Statement more than ten (10) days before signing the purchase and sale agreement, he or she cannot cancel the agreement pursuant to the foregoing provisions.

PART II

NARRATIVE

The Condominium Form of Ownership

Over the last several years, the word "condominium" has become familiar to everyone. The purpose of this section is to help you understand the concept of condominium ownership. When you own a condominium, you hold title to your dwelling (the "Unit"), which is part of a larger building or complex of buildings (the "Building" or "Buildings"). You also own, in common with other owners in the same condominium complex, a percentage interest in the common areas of the property in which your Unit is located. These common areas are referred to as the "Common Elements" and generally include all portions of the property which are not part of a Unit. The Common Elements may include the land on which the Building or Buildings containing Units are located, parking areas, landscaped or open areas and

building components such as foundations, roofs, exteriors, optional features which are not a part of the Unit and common utility systems. Some portions of the Common Elements are designated as "Limited Common Elements". The Limited Common Elements are for the exclusive use of the Unit Owner to whose Unit the Limited Common Element is assigned by the Declaration, the Plats and Plans or the Condominium Association. Maintenance and repair of the Limited Common Elements is normally a common expense, but, in some instances it may be the obligation of the Unit Owner. In addition to owning his or her Unit, each individual Unit Owner owns a specified undivided interest in the Common Elements. This is referred to as the "Percentage Interest". The ownership of this Percentage Interest gives each Unit Owner the right, subject to the terms of the Act, the Declaration, the By-Laws and the Plats and Plans, to use and participate in the control of the Common Elements (through membership in the Condominium Association). Ownership of a Unit and a Percentage Interest in the common elements obligates each Unit Owner to pay his share of the expenses of operating and maintaining the Common Elements (the "Common Expenses"). There are no special fees charged (in addition to monthly common charges) for the use of any facility or portion of the Common or Limited Common areas. Annual budgets are established by the Executive Board of the Condominium Association. Each Unit Owner will contribute equally to the Common Expenses. Each Unit Owner's share will be determined by dividing the annual budget by the number of Units in the Condominium. The Executive Board is elected by the Unit Owners. What makes condominium ownership unique is that you are the exclusive owner of your Unit and you share ownership of the Common Elements with other persons who own Units which are part of the Condominium.

The Declarant

The Declarant is Whitehall Development Associates Limited Partnership, a Massachusetts limited partnership organized under the laws of the Commonwealth of Massachusetts. The Declarant's principal address is c/o CrossLand Properties, Inc., 1 Richmond Square, Providence, Rhode Island 02906.

General Description of the Condominium

The Condominium consists of Units in Buildings located on approximately 64.70 acres with frontage on Green End Avenue and Berkeley Avenue, Middletown, Rhode Island.

The Condominium is to be developed in phases. Phase 1 will consist of thirteen (13) Units located in nine (9) separate buildings and the road and all utilities necessary to service all Units in Phase 1. The Declarant intends to build additional buildings after Phase 1 is completed. Phase 2 is intended to include thirteen (13) Units and the road and all utilities necessary to service all Units in Phase 2. Phase 3 is intended to include twenty-eight (28) Units and the road and all utilities necessary to service all Units in Phase 3. Phase 4 is intended to include twenty-nine (29) Units and the road and all utilities necessary to service all Units in Phase 4. Phase 5 is intended to include twenty-five (25) Units and the road and all utilities necessary to service all Units in Phase 5. Phase 6 is intended to include twenty-five (25) Units and the road and all utilities necessary to service all Units in Phase 6. Phase 1 must be built by the Declarant while Phases 2 through 6 need not be built by the Declarant. The Declarant reserves the right to develop Phases 2 through 6 inclusive in any sequence that it deems appropriate.

The maximum number of Units that the Declarant may build is one hundred thirty-three (133) which includes the thirteen (13) Units in Phase 1. The construction of one hundred thirty-three (133) Units would result in a density of approximately 1 Unit per .49 acre.

Construction of Phase 1 was commenced in January, 1986 and is expected to be completed by September, 1986 and additional Units in Phases 2 through 6 may be constructed as soon as Unit sales in Phase 1 warrant.

The mix of Unit types at the Condominium includes, but is not limited to the following:

<u>Type of Unit</u>	<u>Number of Stories</u>	<u>Number of Rooms</u>
A Unit	two stories plus mezzanine	2½ baths, 2 bedrooms, den, living room, dining room and kitchen
C-1 Unit	two story	2½ baths, 2 bedrooms, living room, dining room and kitchen
C-2 Unit	two story	2½ baths, 2 bedrooms, living room, dining room and kitchen

D Unit	one and one-half story	2 baths, 3 bedrooms, living room, dining room and kitchen
E Unit	one story	1 bath, 1 bedroom, living room, dining room and kitchen
F Unit	two story	2½ baths, 2 bedrooms, living/dining room and kitchen
G Unit	two story	2½ baths, 2 bedrooms, living/dining room and kitchen

Each Building contains two entrances. The Units will include, but are not limited to the following: (1) two story attached town houses which comprise a portion of the first and second floors of the Buildings, (2) two and one-half story town houses which comprise a portion of the first, second and mezzanine floors of the Buildings, (3) single story detached houses and (4) two story detached houses. Each Unit will be heated by gas fired forced warm air heat and some of the Units may have some electric base-board heat. Electricity is separately metered for each Unit. Central airconditioning is an option which is available to Unit Owners for an additional cost.

The Buildings are of new construction and are frame structures with poured footings and built on slabs. Exterior walls are wood over wooden studs. Roofs are all of wooden trusses or rafters with asphalt impregnated fiberglass shingles. Windows in the Buildings are wooden double hung or casement windows, and doors are wooden doors. Interior doors are hollow core wood. Interior partitions are constructed of gypsum board over wooden studs. Floors are of wood truss or standard wood joist construction for the second and mezzanine floors of the Buildings and concrete slab construction for the first floor of all Buildings. There are five (5) types of Buildings, single family detached structures, duplexes, triplexes, fourplexes, and fiveplexes. Single family structures are single family dwellings containing one story or two stories and detached from any other structure, all of which have a garage and a patio for each Unit. Duplexes are either one single story Unit attached to one two story attached town house or two, two story town houses each of which Units have a garage and a patio for each Unit. Triplexes are either two, two story town

houses and one, three story town house or three, two story town houses, all of which are attached and have a garage and a patio for each Unit. Fourplexes are three, two story town houses and one, three story town house all of which are attached and have a garage and a patio for each Unit. Fiveplexes are four, two story town houses and one, three story town house all of which have a garage and a patio for each Unit. The Declarant reserves the right to expand the size and shape of any Unit.

Unit Owners also may contract with the Declarant to install other options (the "Options" or "Optional Features") for an additional cost. The availability of Options which may be added at additional cost prior to the time of purchase of a Unit, which include, but are not limited to, the following:

<u>Type of Unit</u>	<u>Options</u>
C-1 Unit	breakfast area (not available for Units 412, 414, 514, and 516)
D Unit	sunroom where available
E Unit	bedroom with full bath and/or sunroom (sunroom may only be added to a single detached unit) (this option not available on Units 107 and 123)
F Unit	sunroom (not available for Units 102, 117 and 119)
G Unit	sunroom

Roof antennas are not allowed to be installed within the Condominium.

All Units in the Condominium will be restricted to residential use.

The Declarant has reserved the right to withdraw Real Estate which is defined in the Declaration as "Withdrawable Real Estate"

from the Condominium. This option exists for a period of seven (7) years from the date of recording of the Declaration. Upon such withdrawal, the Owner or Owners of the portion of the Withdrawable Real Estate withdrawn will no longer share in the Common Expenses except such portion thereof which is allocable to the cost of maintenance of the easements for utilities, if any.

In addition to the right to withdraw all or a portion of the Withdrawable Real Estate, in any event, the Declarant has reserved other rights which will facilitate the development of additional phases after the completion of Phase 1. The Declarant has the right to add real estate to the Condominium to create new Units, Common Elements and Limited Common Elements within the Condominium and to subdivide or convert Units into Common Elements. These additional rights must be exercised by the Declarant within seven (7) years from the date of recording the Declaration.

If the Declarant completes construction of one hundred thirty-three (133) Units, as is its definite intention, the Buildings and Limited Common Elements constructed will be of an architectural style and quality of construction which will be compatible with the Buildings in Phase 1. The Buildings constructed after Phase 1 are expected to be located along the streets and the cul-de-sacs as shown on the Plats and Plans which are designated as Exhibit C to the Declaration; however, the Declarant cannot guarantee that the exact location and size of the Buildings and Limited Common Elements constructed after Phase 1 will be the same as that of Phase 1. The proportion of Limited Common Elements to Units constructed after Phase 1 will be similar to the proportion established by the Units in Phase 1, subject however, to the same variation noted above due to the Limited Common Elements. All assurances made in this paragraph are made by the Declarant and can be relied upon only if the Declarant exercises the development rights reserved.

All future Units constructed will be subject to the same restrictions in the Declaration affecting use, occupancy, selling or leasing of the Units.

Summary of Principal Condominium Documents

The Condominium will be established and its operation will be governed by the Declaration and the By-Laws of the Whitehall Farm Condominium Association, Inc., a non-profit, non-stock Rhode Island corporation. A copy of each of these documents is contained in the Exhibits to the Declaration. In addition, there may

be certain contracts which affect portions of the Condominium. The following is a summary of these documents:

Declaration of Condominium

The Condominium is created by the Declarant recording the Declaration in the Records of Land Evidence of the Town of Middletown, Rhode Island.

Article 1 provides for the submission of the property as a Condominium under the Condominium Act. It also lists the easements and restrictions which affect the Condominium.

Article 2 contains the definition of certain terms used in Condominium Documents. Article 2 also incorporates the provisions of the Condominium Act and states that this Act's provisions apply to the operation and government of the Condominium except (where permitted by the Act) to the extent that contrary provisions are found in the Condominium Documents.

Articles 3 and 4 of the Declaration describe the boundaries of the Units and the Limited Common Elements. Unit Boundaries generally run along the Unit-side surface of the wooden or cement floor constituting the floor and ceiling, and the dry wall or plaster which forms the walls; the Unit includes the thickness of the drywall or plaster. The Unit Owner is responsible for the dry wall and plaster and for all coverings on the floor including hardwood floors, if any. The Unit boundaries run along the inside surface of doors, windows and window panes and the Unit-side surface of the sills and hardware. All Units include the garages attached thereto. The significance of the Unit boundaries is that all portions of the Units contained within these lines are owned by the Unit Owner and the Unit Owner has the sole responsibility for the care, maintenance and replacement of these areas; subject however, to the insurance provisions in Article 9 of the Declaration.

Certain portions of the Buildings which contain Units are designated as Limited Common Elements in the Declaration and the Plats and Plans. Portions of the driveways leading to the garages (as shown on the recorded Plan) in all Units are Limited Common Elements. Each Unit also has assigned to it, as a Limited Common Element, a parcel of property adjacent to the Unit, as shown on the Plan. In addition, Limited Common Elements also include portions of the Building which serve less than all of the Units in a Building. The maintenance of these Limited Common

Elements is undertaken by the Association and the expense is included in the general Common Expense, except as noted below and except when maintenance or repair is necessitated by the negligence, neglect or abuse of the Unit Owner then the cost of such maintenance is allocated to the Unit served by the Limited Common Elements. The Association will maintain all yards around the Buildings. The Options, including without limitation, bedroom, breakfast area, bath and/or sunroom, shall be part of the Unit to which it is appurtenant. The Owner of a Unit served by a Limited Common Element is responsible for the cleanliness of the Limited Common Element.

All portions of the Buildings which are not contained within a Unit and which are not designated as Limited Common Elements are deemed to be Common Elements. Limited Common Elements and Common Elements will be maintained by the Condominium Association on behalf of all Unit Owners, and the cost of such maintenance is shared equally by all Units.

Article 5 of the Declaration establishes the Percentage Interest of the Units in the Common Elements, the Common Expense liability and the voting rights of Unit Owners. The Percentage Interest is equal for all Units. The Percentage Interest allocated to each Unit will determine that Unit's appurtenant ownership interest in the Common Elements. The Unit Owner's Common Expense liability shall be shared equally for all Units in the Condominium and will be determined by dividing the annual budget by the total number of Units then in existence. There shall be one vote per Unit in the Condominium.

Article 6 lists the various easements to which the Condominium or certain portions of the Condominium are subject. It also reserves to the Declarant the right to maintain models, signs and management offices on the Property.

Article 7 of the Declaration imposes various restrictions on the use of the Units and various other portions of the Condominium. The Units in the condominium are restricted to residential uses only. Unit Owners are barred from conducting any activity which unreasonably interferes with the quiet enjoyment of adjacent Units, and there are restrictions on the kinds of pets which may be kept in the Condominium (for more information regarding restrictions, see the portion of this Narrative entitled "Restrictions and Transferability and Use of the Units").

Article 8 sets forth the rights of lenders who provide mortgage financing to purchasers of Units in the Condominium. There are no restrictions on the type of mortgage financing; however, mortgagees must register with the Association in order to receive notices. Under Section 8.4 mortgagees are entitled to receive certain notices, and under Section 8.2 the approval of mortgagees is required for certain acts.

Article 9 of the Declaration outlines the type and amounts of insurance which the Association is required to obtain and the various provisions governing such insurance (for more information regarding insurance see the portion of this Narrative entitled "Condominium Insurance").

Article 10 of the Declaration provides for a limitation on the liability of the members, officers and employees of the Executive Board and provides for the indemnification of members of the Executive Board against all expenses and liabilities which they may incur in the performance of their duties, except circumstances involving negligence or bad faith. Other Sections in Article 10 provide for the defense of claims against the Association and a disclaimer of bailee liability of the Association, the members of the Executive Board or any Unit Owner for personal property stored on the Common Elements.

Article 11 of the Declaration provides that all present and future owners, lessees, occupants and mortgagees of Units in the Condominium are subject to the Condominium Documents and provides for a procedure to be followed in the event of condemnation of all or part of the Common Elements.

Article 12 of the Declaration describes the makeup of the Executive Board of the Association. The Executive Board will consist of five (5) members elected by Unit Owners at the annual meeting of the Association. Initially, the Declarant will appoint the members of the Executive Board. This Article also provides for the transition from the Declarant-appointed Executive Board to an Executive Board controlled by the Unit Owners. No later than sixty (60) days after the conveyance of twenty-five percent (25%) of the Units which may be created, i.e. one hundred thirty-three (133), to Owners other than the Declarant, the Owners other than the Declarant shall elect one Unit Owner, other than the Declarant, who shall replace one member of the Executive Board appointed by the Declarant. No later than sixty (60) days after the conveyance of fifty percent (50%) of the Units which may be created, i.e. one hundred thirty-

three (133), to Owners other than the Declarant, the Owners other than the Declarant shall elect not less than one-third (1/3) of the Executive Board. The terms of office of the initial Executive Board Members will be staggered, thereafter the term of office will be one year.

Article 12 also sets forth the procedure to be followed in order to resolve any inconsistency among the various Condominium Documents and in order to amend the Condominium Documents, and grants to the Executive Board and any aggrieved Unit Owner the power to abate or enjoin any violations of the Act or the Condominium Documents by Unit Owners, tenants of Unit Owners or the Association.

Article 13 of the Declaration permits the Association to employ a professional, experienced managing agent to oversee the daily operation of the Condominium.

Article 14 deals with the liability of Unit Owners to pay all Common Expense assessments allocated to their Units and provides for the procedures to be followed to affix assessments and collect assessments in the event that the Unit Owner fails to pay them. Section 14.10 requires each Unit Purchaser, upon the initial transfer of title from the Declarant to the Purchaser, to pay to the Association an amount equal to two months estimated Common Expense liability for the Unit being purchased in order to establish a Working Capital Fund for the Association.

Article 15 allows the Declarant to reserve certain rights with respect to the development of the Property and describes what those rights are.

Article 16 provides that the Declarant may assign the rights which it has reserved to others.

Article 19 allows the Declarant to reserve the right to withdraw certain portions of the property from the Condominium. This property is referred to as the "Withdrawable Real Estate" and is described in Exhibit G to the Declaration. The Declarant may withdraw all or a portion of Withdrawable Real Estate at any time and from time to time within seven (7) years from the date of recording the Declaration or such earlier time as the right to do so expires or is terminated. Upon the withdrawal of the Withdrawable Real Estate or any portion thereof, cross easements, as set forth in Section 6.1 (n) of the Declaration, take affect to provide access and utility easements between the Withdrawable

Real Estate and the property remaining in the Condominium. Until the withdrawal occurs or the right to do so expires or is terminated, the Declarant is responsible for all real estate taxes assessed against the Withdrawable Real Estate and all other expenses in connection with the Withdrawable Real Estate.

Whitehall Farm Condominium Association, Inc.

The Whitehall Farm Condominium Association, Inc. is a non-stock, non-profit corporation incorporated in Rhode Island for the purpose of operation and management of the Condominium. All Unit Owners are required to be members and only Unit Owners and the Declarant can be members.

By-Laws

The operation and administration of the Condominium Association are governed by the By-Laws.

Article 2 of the By-Laws provides that all Unit Owners in the Condominium are members of the Association. Article 2 also sets forth the time, purpose and procedure for annual and special meetings of the Association. The Association is required to conduct meetings at least annually, and at the annual meeting the Treasurer of the Association is required to present an annual financial report for the preceding fiscal year and the projected budget for the current fiscal year.

Article 3 provides for an Executive Board of five (5) natural persons. It also describes the time, purpose and procedures for meetings of the Executive Board, and sets forth procedures to be followed in the event the Executive Board Members resign or positions on the Executive Board become vacant. Article 3 also sets forth requirements governing the validity of contracts with interested Executive Board Members, and permits the Executive Board to enter into a management contract for the professional management of the Condominium.

Article 4 contains provisions governing the election of officers of the Association by the Executive Board and enumerates the duties of those officers. Officers are elected annually by the Executive Board.

Article 5 describes the procedure for establishing budgets. It also sets forth the obligation of Unit Owners to pay monthly assessments for Common Expenses and Limited Expenses, if any.

Under Section 5.8, the Association, by a majority vote may reject any budget or capital expenditure approved by the Board.

Article 6 sets forth the procedure for restoration and repair to the Buildings or other parts of the Condominium if damaged or destroyed.

Article 7 describes how individual Units will be assessed for real estate tax purposes.

Article 8 sets forth the procedure for amending By-Laws.

Article 9 contains general provisions applicable to the By-Laws.

Rules and Regulations

The By-Laws provide that the Executive Board may promulgate rules and regulations governing the details of the use and operation of the Condominium. As of the effective date of this Public Offering Statement, these rules and regulations are set forth on Exhibit F to the Declaration.

Purchase and Sale Agreement

The form of the Purchase and Sale Agreement (the "Agreement") to be executed by all Purchasers is contained in Exhibit 2 of this Public Offering Statement. It sets forth the rights and obligations of the Purchaser and the Declarant with respect to the Unit. The Purchaser purchases the Unit, the Percentage Interest in the Common Elements appurtenant to the Unit and the personal property, if any, described in the Schedule which is a part of the Agreement.

Item 3 of the Schedule sets forth the sales price and any allowances or credits given to the Unit Purchaser. It also indicates the amount of money to be paid upon execution of the Agreement, the amount of money to be paid after ten (10) days from receipt of this Public Offering Statement and the closing date.

Paragraph 5 of the Agreement describes the various exceptions to the title that will be conveyed to the Purchaser.

The closing will be scheduled in accordance with the provision of paragraph 6 of the Agreement. At the closing certain costs will be apportioned between the Declarant and the Purchasers;

paragraph 8 of the Agreement describes the costs for which the Declarant is responsible and the costs for which the Purchaser is responsible.

Paragraph 9 of the Agreement sets forth the events of default and the remedies of both parties if a default by either party occurs. Generally, upon a default by the Purchaser, the Declarant's sole remedy is to retain the Deposit Money. In the event of a default by the Declarant the Purchaser's remedy is to have the Deposit Money returned.

The Declarant gives certain warranties with respect to the Condominium. These warranties are more particularly described in paragraph 11 of the Agreement and in the portion of this Narrative entitled "Warranties of the Declarant".

Paragraph 14 of the Agreement sets forth the rights of the parties in the event that all or a portion of the Property is destroyed, damaged or condemned prior to the closing.

Under paragraph 15 of the Agreement, the Purchaser acknowledges that prior to the conveyance of the first Unit in the Condominium the Declarant may amend the Declaration and the By-Laws provided that such amendment does not materially adversely affect the rights of the Purchaser. An amendment will not be deemed to materially adversely affect the rights of the Purchaser if it makes changes to other Units which do not materially affect the Unit being purchased by the Purchaser.

Paragraph 16 of the Agreement prohibits the Purchaser from assigning his interest in the Agreement without the prior written consent of the Declarant.

Paragraph 18 of the Agreement limits the representations and warranties of the Declarant to those contained in or incorporated into the Agreement. It also limits changes made by sales persons or other parties.

The Agreement may contain, for qualified Purchasers, a mortgage contingency. This clause sets forth the rights and obligations of each party with respect to obtaining mortgage financing. The maximum amount of mortgage financing that the Purchaser may apply for under the mortgage contingency is set forth in item 5 of the Schedule.

The Declarant retains the right, in its sole discretion, at any time and from time to time, to increase or to lower the

selling price for the Units in the Condominium; provided, however, that no change in price will affect Agreements previously executed.

Contracts

The Declarant has entered into a management contract on behalf of the Association with Eastland Property Management Co. to maintain the Common Elements and/or the Limited Common Elements for the Unit Owners. A copy of this Agreement is attached hereto as Exhibit 6. This Agreement may be cancelled by the Declarant or the Executive Board on not less than thirty (30) day prior written notice without cause. The monthly charge for such management services will be Sixteen Dollars (\$16.00) per Unit for Units occupied or conveyed to Owners other than the Declarant. Said \$16.00 monthly charge is part of the Annual Budget and is covered by the monthly Common Area charges.

Projected Budget and Financial Matters

The Condominium Association will be established by the Declarant either contemporaneously with or shortly before the recording of the Declaration. A project budget for the first year of operation of the Condominium Association after the anticipated date of the first conveyance of the Unit to a Purchaser has been prepared by the Declarant. The Declarant has not taken inflation into account in preparing the budget and the budget is based upon a cash basis method of accounting. A copy of the budget is included in this Public Offering Statement as Exhibit 4. Because the Association has not yet been formed no balance sheet for the Association is available.

The budget has been prepared based upon what the Declarant believes to be the best current estimates of future costs based on information currently available, such as the operating and maintenance costs of similar properties. In preparing the budget, the Declarant has assumed that all Units in Phase 1 would be occupied during the period which the budget covers. The budget establishes a Reserve Fund for capital expenditures and includes estimated costs for maintenance, repairs, replacement and/or painting of streets, sidewalks, brick patios, roofs, exterior decks and stairs and exterior siding that are anticipated in the future. The Common Area charges are equal for all Units.

Each Purchaser of a Unit in the Condominium will pay a non-refundable payment equal to two months of the Declarant's ini-

tially estimated monthly assessment for Common Expenses. These amounts will be paid directly to the Condominium Association as initial funding for the Working Capital Reserve Fund and such amounts will not be refundable to the Unit Owners at any time, under any circumstances and are not a part of the annual operating budget. The Working Capital Reserve Fund will be segregated from other funds.

There are no services which are not reflected in the budget that the Declarant currently provides, or expenses that it currently pays and expects may become at any subsequent time a Common Expense of the Association. The Declarant intends to pay any Common Area charges which exceed \$132.00 per month for any Unit in the Condominium through and including December 31, 1987. In other words, the monthly Common Area charges for any Unit in the Condominium will not exceed \$132.00 until after December 31, 1987.

At the closing for each Unit purchased, the Purchaser will be required to pay additional settlement costs, as described in the Agreement (i.e. tax and common charge adjustments, bank closing costs and fees, etc.).

Deposits

Under paragraph 3 of the Agreement the Initial Deposit and the Additional Deposit will be held in an escrow account in accordance with the provisions of Section 36.1-4.03(13) of the Condominium Act. The escrow account will be maintained at the Bank of New England/Old Colony, N.A., having a place of business at Washington Square, Newport, Rhode Island, or at any of its other branch locations in the name of Silva, Meyer & Fox, Ltd./Whitehall Farm Condominium - Escrow Account. In the event the Unit Purchaser cancels the Agreement pursuant to the provisions set forth on pages one and two of this Public Offering Statement, the Purchaser will be entitled to a return of all deposits paid. The Purchaser may be entitled to earn interest on the deposits under certain conditions.

Title Matters

The Condominium will be subject to the terms of the Declaration, as recorded, the conditions shown on the Plats and Plans, as recorded, the By-Laws and any rules and regulations issued, as each of these may be amended from time to time. In addition, the Condominium is subject to the following:

(a) Statutory easements granted by the Act, including (i) the easement provided by Section 36.1-2.14 of the Act, which provides that any Unit or Common Element is subject to a valid easement to the extent that any other Unit or Common Element encroaches upon it; (ii) the provisions of Section 36.1-2.15 of the Act which provides that the Declarant may maintain sales offices, management offices and models in the Condominium (such right being set forth in Section 6.1(a) of the Declaration); and (iii) the easement provided for in Section 36.1-2.16 of the Condominium Act, which allows the Declarant an easement through the Common Elements, and if necessary, through portions of the Limited Common Elements, as reasonably may be necessary to facilitate the completion of the Condominium or to exercise any Development Right or Special Declarant right reserved by the Declarant in Article 15 of the Declaration and elsewhere in the Condominium Documents.

(b) Unrecorded easements, discrepancies, conflicts in boundary lines, shortages of area and encroachments which an accurate and complete survey of the Condominium as built, would disclose.

(c) Easements and restrictions described in Section 6.1 of the Declaration including the following:

(1) Easements in favor of the Declarant and appropriate utility and service companies, cable television companies and governmental agencies for utilities and service lines;

(2) An easement in favor of the Declarant to maintain and correct drainage of surface water;

(3) An easement in favor of the Declarant for the purposes of construction, reconstruction, maintenance, repair, renovation, replacement or correction of the Units or Common Elements;

(4) An easement in favor of the Unit Owners, their invitees, employees, tenants and servants, the Association and the agents and employees of the Association for access through each portion of the Common Elements, subject to the requirements and charges imposed by the Executive Board;

(5) An easement in favor of the Association, its agents, employees and independent contractors for the purpose of inspection, upkeep, maintenance, repair and replacement of the Common Elements;

(6) An easement in favor of the benefitted Units (a) for installation, repair, maintenance, use, removal and replacement of utilities located on the Common Elements, or of overhead lighting fixtures, electrical receptacles and light fixtures located in a portion of the ceiling, wall or floor adjacent to the Unit; and (b) for driving and removing nails, screws, bolts and the like into the Unit-side surface of walls, ceilings and floors which are part of the Common Elements;

(7) An easement in favor of each Unit for structural support by adjacent Units, of the Common Elements and the Limited Common Elements;

(8) An easement in favor of the Association, its agents, employees and independent contractors for inspection of the Units and Limited Common Elements, for inspection, maintenance, repair and replacement of the Common Elements or the Limited Common Elements situated in or accessible from such Units or Limited Common Elements and for the correction of emergency conditions;

(9) An easement in favor of the Unit Owner benefitted and the Association, its agents, employees and independent contractors for the installation, repair, maintenance, use, removal and/or replacement of pipes, ducts, electrical, telephone, telegraph and other communication systems and all other utility lines which are part of the Common Elements and pass through a portion of one or more Units;

(10) An easement in favor of the Unit Owner benefitted for the purpose of affixing and removing carpeting, parquet flooring and other floor coverings and otherwise decorating, cleaning and maintaining such surface of the floors, walls and ceilings.

(d) A first mortgage in the principal amount of EIGHT MILLION and 00/100 DOLLARS (\$8,000,000.00) granted by Declarant to Bank of New England/Old Colony, N.A. An Assignment of Leases and Rentals granted by Declarant to Bank of New England/Old Colony Bank, N.A. A second mortgage in the principal amount of SIX HUNDRED FIFTY THOUSAND and 00/100 DOLLARS (\$650,000.00) granted by Declarant to Manuel V. Corey and Alexandria M. Corey. The lien and encumbrance of each of these mortgages and the Assignment of Leases and Rentals, at Declarant's option, either will be terminated entirely as to the Condominium or released on a Unit-by-Unit basis as each Unit is conveyed. The lien of the

mortgages and the Assignment of Leases and Rentals also will be subordinated to the Condominium at the time of the conveyance of the first Unit.

(e) Recorded easements, restrictions and agreements referred to in Section 1.2 of the Declaration, including the following:

(i) Rights granted or to be granted to Newport Electric Company, the Providence Gas Company, the New England Telephone and Telegraph Company, and/or any cable company, to supply the owners with electricity, gas, telephone and cablevision service.

(ii) Agreement between Manuel V. Corey, Alexandria M. Corey, William E. Stratford, Alice F. Stratford and the National Society of Colonial Dames of America in the State of Rhode Island and Providence Plantations which is recorded in the Land Evidence Records of the Town of Middletown in Volume 156 at Page 792.

(iii) Rights of Paul Whitman and others entitled thereto to use and have access to the cemetery as shown on the Plans, all as set forth in Volume 40 at Page 141 of the Middletown Land Evidence Records.

(iv) Rights and easements of others, if any, to drain through or otherwise use Maidford River running through the Property.

(v) Declaration of Restrictive Covenants, Whitehall Development Associates, recorded in the Land Evidence Records of the Town of Middletown as Document No. 00212 on November 1, 1985 at 4:16 P.M.

(vi) Subject to rights reserved by the Declarant to grant easements to appropriate utility and service companies, cable television and governmental agencies for utilities and service lines.

(vii) The reservation by the Declarant, its successors and/or assigns of the right to convey two (2) parcels of land which total approximately 70,005 square feet (as described in Exhibit G attached hereto) to others without providing the Whitehall Farm Condominium Association, Inc. and/or any Unit Owners, their heirs and/or assigns and/or the holders of any liens on all or any part of the Property with any compensation for such

conveyance and without obtaining the approval of the Whitehall Farm Condominium Association, Inc. and/or the Unit Owners, their heirs and/or assigns and/or the holders of any liens on all or any part of the Property.

Warranties of the Declarant

The only warranties provided by the Declarant are those expressly provided in Sections 36.1-4.13 and 36.1-4.14 of the Act. In summary, the Declarant warrants to each Purchaser of a Unit that the Declarant will correct any "Warranted Defects" appearing in his Unit within two (2) years from the date the Unit is conveyed to that Purchaser and Declarant warrants to the Condominium Association that the Declarant will correct any "Warranted Defects" appearing in the Common Elements within a two (2) year period commencing upon the later of the time on which the work on or improvements to the particular Common Elements are completed or the date the first Unit in that Phase of the Condominium was conveyed to a bona fide Purchaser. The term "Warranted Defects" means defects in materials used or installed by the Declarant or on Declarant's behalf, or by Declarant's contractors and/or subcontractors and defects caused by unsound and unworkmanlike construction. The Declarant also warrants to each Purchaser of a Unit that such Units together with its undivided percentage interest in the Common Area is suitable for the ordinary uses of real estate of its type.

The procedure for making warranty claims and limitations with respect to such claims are set forth in paragraph 11 of the Agreement. No claims arising out of any of the warranties set forth in paragraph 11 of the Agreement may be brought unless, prior to the expiration of the appropriate two (2) year warranty period, the Purchaser has sent written notice by certified mail, return receipt requested, to the Declarant specifying the alleged breaches of these warranties.

The Declarant will make available to each Unit Purchaser any warranty on any item of equipment or appliance that has been purchased new by the Declarant if such warranty has been provided to the Declarant by the manufacturer thereof.

Litigation Involving the Condominium or the Condominium Association

As of the effective date of this Public Offering Statement, there are no judgments against the Condominium Association, nor is

the Condominium Association a party to any pending litigation. The Declarant has no actual knowledge of any pending litigation that would have any material affect on the Condominum, except that certain action entitled, "THE NATIONAL SOCIETY OF COLONIAL DAMES OF AMERICA IN THE STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS (Plaintiff) vs. MANUEL V. COREY, ALEXANDRIA M. COREY, his wife, and WHITEHALL DEVELOPMENT ASSOCIATES, a limited partnership, WILLIAM E. STRATFORD and ALICE F. STRATFORD, his wife (Defendants)", and designated as Cause of Action No. 86-0264 as filed in the Superior Court, Newport County, State of Rhode Island, Newport County Court House, Washington Square, Newport, Rhode Island. This Complaint prays, in part, that the Court, among other things, impose a constructive trust upon two (2) parcels of land which total approximately 70,005 square feet (as described in Exhibit G of the Declaration) and are located along the northerly boundary of the real estate described in Exhibit D of the Declaration. In the event that the Defendants are unsuccessful in defending this action, the Declarant will be required to convey said two (2) parcels of land to others which will result in a reduction of approximately 70,005 square feet of land from the Common Area of the Condominium. The Declarant reserves the right to voluntarily convey said two (2) parcels of land containing approximately 70,005 square feet of land to others, if the Declarant, in its sole discretion, determines that such voluntary conveyance would be in the best interest of the Declarant and/or the Whitehall Farm Condominium Association, Inc.; provided, however, in no event will the Declarant make such a voluntary conveyance if such a conveyance would result in a violation of the ordinances of the Town of Middletown. Said two (2) parcels of real estate which are the subject of this action are not intended to be used by the Declarant for the construction or maintenance of any improvements for the Condominium and the loss of said 70,005 square feet of land along the northerly boundary of the 64.70 acre parcel will have no practical effect on the Condominium Project. In the event that the above described action has not been settled or the Notice of Pending Suit released or discharged of record in the Middletown Land Evidence Records prior to the conveyance of any of the Units in the Condominium by the Declarant, the Declarant will, at the time of the delivery of the deed to any of the Units, indemnify and hold harmless any Purchaser from any compensatory or punitive damages or costs resulting from said Cause of Action No. 86-0264 as aforescribed, except that the Declarant will not compensate any Purchaser for the value of the two parcels of land totaling approximately 70,005 square feet.

Restrictions on Transferability and Use of the Units

All Units are subject to all restrictions set forth in the Declaration, By-Laws, Rules and Regulations, and the Condominium Act, local ordinances and any applicable title matters.

Unit Owners are specifically prohibited from leasing their Unit for an initial period of less than six (6) months. All leases must be in writing and subject to the terms of the Condominium documents.

The Act provides that no part of the Common Elements may be sold unless in conjunction with the sale of a Unit.

In addition to the restrictions set forth above regarding sale and lease of Units, the Declaration imposes the following restrictions on use:

(a) Unit Owners may not obstruct the Common Elements in any way, nor may any Unit Owner store anything in or on the Common Elements without the prior written consent of the Executive Board, with the exception of designated visitor parking.

(b) The Common Elements may be used only for the benefit or enjoyment of the Unit Owners and the occupants of all Units. Unit Owners are prohibited from placing any garbage, trash or rubbish anywhere in the property other than in their own Units and in or on such parts of the Common Elements as are designated for that purpose by the Executive Board;

(c) No Unit may be used, occupied or kept in a manner which in any way increases the fire insurance premium on the Property without the prior written consent of the Executive Board;

(d) No Unit Owner (other than the Declarant) may erect any sign on or in his or her Unit or any Limited Common Element which is visible from outside the Unit or from the Common Elements without the prior written consent of the Executive Board (with the exception of a small non-illuminated name sign designed by the Executive Board, on the door of the Unit);

(e) Domestic animals may be kept by Unit Owners only with the prior written consent of the Condominium Association provided that they are not kept for any commercial purposes, do not constitute a nuisance to others and are kept in strict accordance with any rules and regulations relating to household pets

promulgated by the Executive Board and with local leash laws and animal health laws;

(f) Unit Owners are responsible for maintaining their individual Units in good order and repair at their own expense.

(g) There are no special fees to be charged in addition to monthly Common Area charges for the use of the Common Elements.

Condominium Insurance

Article 9 of the Declaration sets forth the provisions concerning the types and amounts of insurance coverage to be provided by the Condominium Association. All insurance policies which the Condominium Association has have been placed with Aetna Life & Casualty Company through Frank B. Hall & Co., Inc., 1600 Fleet National Bank Building, Providence, Rhode Island 02903. The Condominium Association has property insurance which is a blanket all risk policy with agreed amount replacement value based on industry standards having an Inflation Guard and Construction Code Endorsements.

The Condominium Association has Comprehensive Liability Insurance containing a severability of interest endorsement in the amount of \$2,000,000.00 per occurrence and an umbrella liability policy of \$3,000,000.00 per occurrence. In addition, the Condominium Association has Fidelity Coverage in an amount equal to one and one-half times the estimated annual operating expenses of the Condominium and directors and officers indemnification coverage in an amount equal to one and one-half times the amount of the annual budget.

The Property will be insured by a policy of fire and property damage insurance in an amount equal to the full insurable replacement cost of the Property. The premium for this insurance will be paid by the Condominium Association. Each Unit Owner will pay his share as part of his assessment for Common Expenses. This policy will insure all physical improvements within each Unit that are in existence on the date of closing. This policy will not insure physical improvements within the perimeter of each Unit or appliances added by the Unit Owner subsequent to the date of closing. Personal property of the Unit Owner is not insured. It is the individual responsibility of the Unit Owners to obtain property insurance to insure their personal property and subsequent improvements and liability insurance to cover claims arising out

of the use or ownership of their individual Unit. Condominium Unit Owner Insurance is available in Rhode Island and should be obtained by each Unit Owner to protect himself against fire or other damage to his Unit and liability claims within his Unit.

The Condominium Association will also carry a liability insurance policy on behalf of the Condominium Association and all Unit Owners to insure them against liability arising out of the ownership or use of the Common Elements. This policy will not insure Unit Owners against liability arising from an accident or injury occurring within their Unit or from their own negligence. Information about the types and amount of insurance to be obtained by the Condominium Association is contained in Exhibit 5.

Insurance proceeds under the fire and property damage insurance policy will be paid to the Condominium Association or an insurance trustee, if there is an insurance trust agreement in effect.

Financing for Phase 1

The Declarant has received financing from Bank of New England/Old Colony, N.A. (the "Lender") to finance the construction of Phase 1, (i.e. the thirteen (13) Units together with the Common Elements and Limited Common Elements contained within Phase 1). The closing of the loan from the Lender was held on March 7, 1986.

Financing for Future Phases

The Declarant anticipates that the Lender will provide financing sufficient to complete all future phases in the Condominium which will consist of no more than one hundred twenty (120) Units after Phase 1 together with the Common Elements and Limited Common Elements contained in such future phases. The Declarant intends to construct additional roadways, parking lots, landscaping and Units with the funds obtained from such financing. Although the mortgage which the Declarant has executed in favor of the Lender is in the principal amount of up to and including \$8,000,000.00, the Lender is committed only to advance approximately \$2,000,000.00 for the construction of Phase 1.

Financing to be Arranged by Declarant

As of the date of the Public Offering Statement the Declarant does not intend to offer financing to prospective purchasers.

Zoning and Land Use

Pursuant to the "Cluster Zoning" provisions, Section 26-52-4 of the Middletown Zoning Ordinance in effect prior to December 15, 1985, Declarant submitted all required plans and supporting documentation to the Middletown Planning Board and received final plan approval from said Board for the construction of one hundred thirty-three (133) Units of single family residential housing on the Property. A copy of the minutes at which the final Planning Board approval was granted are attached hereto as Exhibit 7.

Item No. 5 of Schedule B of Exhibit E of the Declaration contains, among other things, a right of first refusal in favor of the National Society of Colonial Dames of America in the State of Rhode Island and Providence Plantations as to the two parcels of land described in Exhibit G of the Declaration.

The Declaration of Restrictive Covenants Whitehall Development Associates referred to as Item No. 8 of Schedule B of Exhibit E of the Declaration contains in part the following:

(a) That the lot coverage by all structures, roadways or other impervious areas to be constructed on the Condominium Property may not exceed fifteen percent (15%) of the total land area and that all remaining area shall remain uncovered by impervious material.

(b) That the total of all impervious improvements located upon the Condominium Property shall not cause the rate of Town water runoff to exceed the cumulative allowable rates of discharge as set forth in Declarant's drainage proposal submitted to the Middletown Planning Board.

Amendments

Notwithstanding anything herein contained to the contrary, this Public Offering Statement may not be amended so as to affect the type or security of any first mortgage which would be granted based on FNMA approval of the original Public Offering Statement.

NO PERSON HAS BEEN AUTHORIZED BY THE DECLARANT TO MAKE ANY STATEMENT, REPRESENTATION OR WARRANTY NOT SPECIFICALLY CONTAINED

HEREIN, AND NOTHING IN THIS PUBLIC OFFERING STATEMENT MAY BE CHANGED OR MODIFIED ORALLY. ANY INFORMATION OR DATA REGARDING THE CONDOMINIUM WHICH IS NOT INCLUDED IN THIS PUBLIC OFFERING STATEMENT SHOULD NOT AND MUST NOT BE RELIED UPON.