

**Colorado Bar Association
Real Estate Section Lunch Series
April 6, 2017**

Are Condominium Conversions Around the Corner?

Speakers:

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THE REGULATORY PERSPECTIVE

I. Colorado Subdivisions

A. Subdivision Jurisdiction:

The Subdivision Developer's Act affects the types of subdivisions that must be registered with the Real Estate Commission. The following types of subdivisions within the State of Colorado, and subdivisions located outside the state if being offered for sale in Colorado, must be registered before offering, negotiating, or agreeing to sell, lease, or transfer any portion of the subdivision:

1. Any division of real property into twenty (20) or more interests intended solely for residential use, with each interest comprising thirty-five (35) or more acres of land offered for sale, lease or transfer;
2. Subdivisions consisting of twenty (20) or more timeshare interests (a timeshare interest includes a deeded or non-deeded interest, including but not limited to a fee simple interest, a leasehold, a contract to use, a membership or club agreement, or an interest in common);
- 3. Subdivisions consisting of twenty (20) or more residential units created by converting an existing structure (e.g., condominium conversions); and**
4. Subdivisions created by cooperative housing corporations with twenty (20) or more shareholders with proprietary leases, whether the project is completed or not.

Exemption from Registration under the Act

- Property upon which there has been or upon which there will be erected residential buildings that have not been previously occupied and where the

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consideration paid by the purchaser for such property includes the cost of such buildings.

B. Subdivision Statutes:

§ 12-61-401, C.R.S. *Definitions.*

§ 12-61-402, C.R.S. *Registration required.*

§ 12-61-403, C.R.S. *Application for registration.*

§ 12-61-404, C.R.S. *Registration of developers.*

§ 12-61-405, C.R.S. *Refusal, revocation, or suspension of registration – letter of admonition – probation.*

§ 12-61-406, C.R.S. *Powers of commission – injunction – rules.*

§ 12-61-407, C.R.S. *Violation – penalty.*

§ 12-61-408, C.R.S. *Repeal of part.*

(This part 4 is repealed, effective July 1, 2017. Prior to such repeal, the provisions in this part 4 shall be reviewed as provided for in section 24-34-104, C.R.S.)

The Colorado Department of Regulatory Agencies (DORA) is presently undergoing a Sunset Review of the Division of Real Estate and the Real Estate Commission.

C. Regulations:

Adopted, and Published by the COLORADO REAL ESTATE COMMISSION.
(Colorado Real Estate Manual: 2017 Edition)

(Approved by the Attorney General and the Executive Director of the Department of Regulatory Agencies).

Chapter 1: Registration, Certification and Application

Chapter 2: Records, Required Information

Chapter 3: Timeshare – Additional Information and Disclosures

Chapter 4: Miscellaneous Provisions, Additional Information

Chapter 5: Declaratory Orders Pursuant to § 24-4-105(11), C.R.S.

Chapter 6: Exceptions and Commission Review of Initial Decisions

D. Real Estate Manual and Division Website:

Subdivision site: <https://www.colorado.gov/pacific/dora/node/91521>

- Required Subdivision Developer Types
- Applications and Fees
- Resources:
 - o Real Estate Manual
 - o Subdivision Developer Rules
 - o Rule Making and Position Statements

E. Subdivision Statistics:

Present Subdivision Stats:

- 67 Actively Registered Subdivisions
- 53 are Timeshare properties: 79%
- Large timeshare developers have numerous projects underneath their developer's license umbrella.
- We have 452 Actively Registered Projects.
- Processing time: within 60 days
(Depending on our workload, we can process much quicker. Usually less than 30 days.)

Registrations in 2016:

9 Initial applications (5 condo conversions)
251 Supplemental applications

Registrations to date in 2017:

60 Supplemental applications

F. Registration fees for 2017:

Subdivision Developer Initial Application (\$1500.00)
Subdivision Developer Supplemental Application (\$500.00)
Subdivision Developer Renewal Application (\$452.00)
Subdivision Developer Application Addendum (No Cost)

All Fees are Non-Refundable.

Applications can be cancelled if information requested is not provided within 60 days.

G. Condominium Conversion Checklist:

- Ownership
 - Title (vesting and condition)
 - Trade Name (Evidence of Certification)
- Encumbrances
 - Releases for Purchaser's interest in subdivision.
- Uncompleted Projects
 - Independent escrow of funds received.
 - Performance and Payment bonds.
 - Other financial arrangement that ensures completion.
- Reservations
 - Non Binding, fully refundable deposits held in escrow by 3rd party.
- Deed intended to convey title to purchasers.
- Contracts, Disclosures and title work for proposed purchasers.
- Project information including plat / map.
- Developer information and Disclosures
 - Contact information; ownership; accommodations and amenities; utilities, access and use; judgments; special assessments; disclaimer; right of rescission, licensed brokers; delivery of deed and title.
- Owner's Association information.

H. Colorado Condominium Ownership Act (§ 38-33-101 to 38-33-113):

- Notification to Residential Tenants.
- §38-33-112, C.R.S.;
Upon recording of the Declaration, a Developer who converts an existing multiple-unit dwelling into condominium units shall notify each tenant of the conversion.
- Notification to Residential Tenants.
- §13-40-107, C.R.S.;
A tenancy may be terminated by notice in writing, served not less than the respective period fixed before the end of the applicable tenancy.

I. CCIOA Provisions (§38-33.3-101 to 38-33.3-402, C.R.S.):

- Applicability
- Exceptions (small or limited expense community)
- General Provisions (Part 1 of the CCIOA)
- Creation of common interest communities (Part 2 of the CCIOA)

- Management of the Common Interest Community (Part 3 of the CCIOA)
- Registration (Part 4 of the CCIOA)

J. Issues and Areas of Concern

- Not providing all required information.
- Not providing information in a timely manner.
- Not having an independent escrow established for purchaser funds.
- Not providing a performance and payment bond for uncompleted projects, or an alternative financial arrangement.

K. Practical Pointers to hasten the registration processing time.

- Set up an E-license account online.
- Call first if you have any questions on the application process or assistance with the E-licensing system.
- Send in materials by jump drive, CD, or upload into our E-licensing system with the application. (We will however, also accept paper copies.
- Pay the fees online (by credit card or e-bank check). Do not send a paper check (it will be returned).
- Provide PDF documents that are searchable.
- Try to send all documentation in with your application at once (not piecemeal).
- Wait until we request additional documentation to supplement your application.

THE DEVELOPER PERSPECTIVE

- I. Why Are We Expecting Condo Conversions in the Near Future
 - a. We must understand the housing market in order to answer that question
 - i. According to the Denver Business Journal, there has been an increase in construction of for-rent product in the last 7 years
 1. In 2009, there were 1,393 apartment permits pulled
 2. In 2011, there were 2,653 apartment permits pulled
 3. In 2015, there were 6,418 apartment permits pulled
 - b. What else is contributing to an increase in for-rent construction rather than for-sale construction?
 1. Litigation costs of for-sale product
 2. Insurance costs of for-sale product
 3. A misunderstanding of the risk
 - c. Developers want to be out in front of the apartment “bubble”
- II. What do developers have to worry about in converting apartments to condos?
 - a. Construction defects in original construction
 - b. Construction defects in the construction required for the conversion
 - c. Getting the building up to current codes
 - d. Creating the owners’ association’s budget
 - e. Misrepresentations during the sale
 - f. Buying appropriate insurance

CONDOMINIUM CONVERSION CHECKLIST

Revised as of [_____] , 2016

Project:
Company:
Association:
Law Firm:
CREC:
T. Co.:
Surveyor:
Broker:
Lender:

No.	Document	Status
1.	ACQUISITION DOCUMENTS	
	1.1 Deed to Company (or Purchase Agreement)	
	1.2 Lender's Deed of Trust	
	1.3 Company's Good Standing Certificate	
	1.3.1 Articles of Organization	
	1.3.2 Company's Operating Agreement	
	1.3.3 [Misc. Consents]	
	1.4 Title Commitment/Policy	
	1.4.1 Schedule B-II Exception Documents	
	1.5 Survey	
	1.6 Appraisal	
2.	PROJECT DOCUMENTS	
	2.1 Tenant Notice	
	2.2 Declaration	
	2.2.1 Exhibit A: Legal Description	
	2.2.2 Exhibit B: Percentage Interests	
	2.2.3 Exhibit C: Matters of Record	
	2.2.4 Exhibit D: Expansion Property	
	2.2.5 Lender's Consent/Subordination	
	2.3 Condominium Map	
	2.3.1 Lender's Consent	

No.	Document	Status
	2.4 Rules and Regulations	
3.	SALES DOCUMENTS	
	3.1 Escrow Agreement (Earnest Money)	
	3.1.1 Escrow Regarding Reservation Deposits	
	3.2 Reservation Agreement	
	3.3 Listing Agreement	
	3.4 Disclosure Statement	
	3.4.1 Exhibit A: Estimated Budget	
	3.4.2 Exhibit B: Estimated Assessments	
	3.5 Contract to Buy and Sell Real Estate	
	3.5.1 Addendum	
	3.5.2 Lead-Based Paint Disclosure	
	3.5.3 Seller's Property Disclosure	
	3.5.4 Receipt of Square Footage Disclosure	
	3.5.5 Other Addendum	
4.	CLOSING DOCUMENTS	
	4.1 Special Warranty Deed	
	4.2 Bill of Sale	
	4.3 Closing Instructions (form)	
	4.4 Misc. T. Co. Documents	
	4.5 [Parking/Storage Lease/License]	
5.	ASSOCIATION DOCUMENTS	
	5.1 Articles of Incorporation	
	5.1.1 Certificate of Good Standing	
	5.1.2 [Change of Registered Agent]	
	5.2 Bylaws	
	5.3 Minute Book	
	5.3.1 Organizational Minutes (w/attachments)	
	5.3.2 Election of Unit Owners' Directors and Officers	
	5.3.3 [Misc. Consents]	
	5.4 Management Agreement	

No.	Document	Status
	5.5 Insurance Certificates	
	5.6 <i>[Items of Declarant Control Turnover]</i>	
6.	CREC APPLICATION DOCUMENTS	
	6.1 Application	
	6.2 CREC Guidelines (annotated)	
	6.3 CREC Approval Letter(s)	
	6.3.1 Supplemental Disclosure Letters	
	6.4 Local/County Subdivision Approval	
7.	MISCELLANEOUS	
	7.1 FHLMC Opinion Letter	
	7.2 Continuing Property Leases/Licenses	

[] CONDOMINIUMS

DISCLOSURE STATEMENT

[circa 1998]

DISCLAIMER BY THE STATE OF COLORADO:

THE STATE OF COLORADO HAS NOT PREPARED OR ISSUED THIS DOCUMENT NOR HAS IT PASSED ON THE MERITS OF THE CONDOMINIUM PROJECT DESCRIBED HEREIN.

DISCLAIMER BY THE DEVELOPER:

THIS DOCUMENT IS A SUMMARY OF INFORMATION CONTAINED IN VARIOUS DOCUMENTS RELATED TO [] CONDOMINIUMS AND OTHER SOURCES. THE INFORMATION IS INTENDED TO PROVIDE AN OVERVIEW OF CRITICAL ISSUES, BUT DO NOT RELY SOLELY ON THE COMPLETENESS OF THE INFORMATION CONTAINED HEREIN. THE CONDOMINIUM DECLARATION, THE ARTICLES OF INCORPORATION AND BYLAWS OF THE ASSOCIATION, EARNEST MONEY CONTRACT, AND THE DEED SHOULD BE REVIEWED BY THE PURCHASER.

Pursuant to Colorado Real Estate Commission Rule S-23 and C.R.S. § 12-61-406(3), the following information is presented to potential purchasers of condominium units in [] Condominiums.

1. The Developer/Seller: The Developer/Seller is [] PROPERTIES, LLC, a Colorado Limited Liability Company, located at [], Denver, CO 80206 (the "Developer").
2. The Condominiums: The condominiums are [] CONDOMINIUMS, located at [], Denver, CO 80211 (the "Condominiums").
3. Type of Ownership: [] fee simple residential condominium estates, numbered [] through [], are offered for sale consisting of individual air space units in the Building and the concurrent ownership by each of the owners of the Units, as tenants in common, of all of the Common Elements. The condominium estates available are [] one bedroom, and [] two bedroom units.

Purchaser will get title to the property at Closing according to the terms and conditions of the [] Condominium Purchase and Sale Contract, with exhibits, signed by the Purchaser (the "Contract"). The Developer will deliver to Purchaser at closing a Special Warranty Deed granting Purchaser a fee simple title to the Unit, subject to those items listed on the Title Commitment as "Schedule of Exceptions," and an undivided interest in the Common Elements.

4. Amenities: An "amenity," for purposes of this disclosure, includes such things as swimming pools, tennis courts, and hiking and bicycle paths. There are a variety of all-season recreation facilities located at [], adjacent to the Community, which are open to the public.

There are [] on-site parking spaces, all of which are Common Elements, but may become Limited Common Elements, appurtenant to the Units purchased.

No amenities are planned or proposed by the Developer.

5. Uncompleted Projects or Services: The Developer reserves the right to construct up to [] carports which, if constructed, will be sold to Unit Purchasers and will become appurtenant to the Units purchased. There are no projects or services planned that have not been completed at the time of contracting for sale of the Condominium Units except for the these proposed carports.
6. Judgments and Administrative Orders: There are no judgments or administrative orders issued against the Developer, [] Condominium Association or any managing agent which are material to the conversion of the Condominiums.
7. Special Assessments: No taxes or special assessments on the Condominiums are owed, with the exception of 1998 real property taxes due and payable in 1999. Real property taxes for the year of closing, based upon the most recent levy and the most recent assessment, shall be prorated to the date of Closing.
8. Licensed Brokers: All sales of the Condominiums will be made by brokers and salesmen licensed by the State of Colorado unless specifically exempted pursuant to C.R.S. §12-61-101(4). The Contract contains the name of the real estate brokerage firm and identifies the name of the sales agent acting for the Developer.
9. Deposits and Payments: All funds paid by Purchaser prior to delivery of the deed will be held in escrow by [] Title Company. The funds shall be paid by the Purchaser directly to [] Title Company concurrent with the signing of the Contract. No funds shall be paid to or held by the Developer or its agents prior to the delivery of the deed.

The use of the funds shall be specified in the Contract and [] Title Company shall be responsible for assuring that the funds are used only for their restricted purposes. The Contract identifies

the amount and permissible use of the funds to be paid by the Purchaser and held in escrow by the designated escrow agent.

All Funds shall be held in non-interest-bearing accounts. Purchaser shall receive no interest if the Purchaser proceeds with the purchase or if they terminate the Contract and are entitled to a return of the earnest money. If a Purchaser defaults on the Contract, the deposit will be forfeited as provided in the Contract.

10. Delivery of Deed: Immediately following the date of closing, the Purchaser's deed will be delivered by [] Title Company to the Clerk and Recorder's office of the City and County of Denver for recording. Requirements for the delivery of the deed are included in the Contract.
11. Title Policy: The Developer shall furnish to Purchaser a current commitment for owner's title insurance policy in an amount equal to the purchase price within ninety (90) days of the effective date of the Contract, or a lesser term specified in the Contract.

At the Closing, Purchaser will get legal title to the property Purchaser is purchasing. The condition of the title Purchaser gets will be affected by the items listed in the "Schedule of Exceptions" of the title commitment Purchaser will receive. Purchaser will decide the condition of the title that is acceptable to Purchaser. Among other things, the title Purchaser receives will be free and clear of mortgages or deeds of trust, except for the one Purchaser may create when Purchaser purchases the property, and free and clear of ad valorem taxes. The Developer will deliver to Purchaser at closing a Special Warranty Deed giving purchaser legal title to the property, subject to those items listed on the Title Commitment as "Schedule of Exceptions." The Developer will arrange to have Purchaser's deed delivered to the County Clerk for recording immediately after the Closing, and Purchaser will receive a title insurance policy at no expense to Purchaser within sixty (60) days after Closing.

12. Utilities and Access: Legal access to the Condominiums is by [] Avenue. [] Avenue is maintained by the City of Denver and is open year-round. The driveway and parking area within the Condominiums are maintained by the Association.

Gas, electrical, water and sewer service are complete and available within the Condominiums. Water, sewer and gas usage is not separately metered and the cost for these services is an overall expense of the Association. Electricity is metered separately for each Unit and billed to that Unit Owner by the Colorado Public Service Co. Each Unit is separately wired for cable television. The television "cable" service (if desired) and the line maintenance is the expense and responsibility of the Unit Owner. Telephone service is available for each Unit and the Owner of such Unit shall be billed by the telephone company directly. There are on-site laundry facilities, which are Common Elements in which each purchaser owns an undivided common interest. The laundry facilities are leased to [] Laundry Company, which provides coin operated washing machines and clothes dryers.

13. Zoning: The City and County of Denver Planning and Zoning Department has jurisdiction over the use of the property. The property is zoned "[]," which includes high density apartments and other residential uses. You should contact the Department for information regarding restrictions on the use of the property.
14. [] Condominium Association

- a. The Association: [] Condominiums are intended to be a Common Interest Community. [] Condominium Association, Inc. (the "Association"), a Colorado non-profit corporation, has been created and membership in the Association is mandatory for the owners of condominiums in [] Condominiums.

The responsibilities and authority of the Association are defined in the Condominium documents, including the Condominium Declaration, Articles of Incorporation, Bylaws of the Association, and Rules and Regulations of the Association. Copies of each document are given to each Purchaser at the time of the execution of the Contract.

- b. Purpose and Services: The purpose of the Association is to provide an entity for the purpose of furthering the interest of all of the owners of condominium units in the Condominiums, with the objectives of promoting the health, safety and welfare of its residents, and to provide for the maintenance, repair, reconstruction and architectural control of the Condominiums.
- c. Board of Directors: The Association will be managed by a Board of Directors. Initially, the Board will be composed of three directors, all appointed by the Developer. Not later than sixty days after conveyance of [_____] Units (25%) to Owners other than the Developer, one member and not less than twenty-five percent of the Board of Directors of the Association shall be elected by the Owners other than the Developer. Currently, the Owners have elected one member to the Board of Directors.

Not later than sixty days after conveyance of [_____] Units (50%) to Owners other than the Developer, not less than thirty three and one-third percent of the members of the Board of Directors must be elected by Owners rather than the Developer. Not later than the termination of the Period of Developer Control (sixty days after sale of [_____] Units (75%) to Owners other than the Declarant), the Owners shall elect a Board of Directors of at least three members, a majority of whom must be Owners other than the Developer.

The election for the Owners to the Board of Directors shall be by an election consistent with one vote for each Unit as provided in the Declaration. Voting in the election shall be based on Units owned. For more detailed information on the election of the Board of Directors, voting, and criteria for passing control of the Association from the Developer to the Unit Owners, refer to the Condominium Declaration and Association Bylaws.

The Board of Directors is responsible for and controls and disburses the funds of the Association.

- d. Assessments/Budget: The Common Expense Assessment for each Owner varies with each Unit and is calculated based upon the relative square footage finished area of each individual Unit to the total square footage finished area of all individual Units combined as more specifically set forth in the Declaration.

As long as the Developer retains ownership of any Unit, it will pay its full Common Expense Assessment.

The Association does not currently have any outstanding obligations or liabilities that will be passed on to Purchaser. The Association shall furnish to a Unit Owner or such Unit Owner's designee or to a holder of a security interest or its designee upon written request, and \$10.00, delivered personally or by certified mail, first class postage prepaid, return receipt requested, to the Association's registered agent, a written statement setting forth the amount of unpaid assessments currently levied against such Owner's Unit. The statement shall be furnished within fourteen business days after receipt of the request and is binding on the Association, the Board of Directors, and every Unit Owner. If no statement is furnished to the Unit Owner or holder of a security interest or their designees, delivered personally or by certified mail, first class postage prepaid, return receipt requested, to the inquiring party, then the Association shall have no right to assert a priority lien upon the Unit for unpaid assessments which were due as of the date of the request.

The Association's Common Expense Assessment includes the following:

- Administrative expenses of the Association, including management, legal, accounting, postage, printing, and other direct costs of administering the affairs of the Association.
- Hazard, liability, and fidelity insurance for the Association and its members covering the common elements.

- Cleaning and maintenance of Common Elements, including building exterior, roofs, parking areas and grounds,
- Gas and electricity charges for the lighting, heating and hot water for the Common Elements.
- Snow removal and landscape maintenance of the Common Elements.
- Utility charges for water and sewer, including services to the individual Units.
- Trash pickup.
- Direct and contract labor costs and benefits.
- Reserve fund.

The following expenses are NOT INCLUDED in the Common Expense Assessment and are to be paid by the individual Unit Owners:

- Insurance on personal property and contents located within the Condominium Unit.
- Liability coverage covering acts occurring within an Owner's Unit protecting a Unit Owner.
- Maintenance, repair or replacement of any appliance, equipment, or fixture located within the condominium Unit. This includes any furnace, water heater, kitchen appliances such as microwave, ranges, refrigerator, garbage disposals, plumbing, light fixtures, plumbing fixtures and others.
- Charges for electricity, gas for heat and hot water, telephone services and cable television that provide service to the individual Units.
- Real estate taxes and any special assessments that are applicable to the individual Units.
- Any cleaning, maintenance, repairs, painting, or other services that occur within the individual Units.

Changes in the Common Expense Assessment may be imposed only within the context of the Association's budgetary process, which process requires that within thirty days after adoption of any proposed budget for the Association, the Board of Directors shall deliver a summary of the budget to all Unit Owners and shall set a meeting of the Unit Owners to consider ratification of the budget. Unless at that meeting, sixty-seven percent (67%) of the Unit Owners reject the budget, the budget is ratified, whether or not a quorum is present.

The Board has the authority to determine the type and quality of services provided, and administer the financial affairs of the Association.

The Association Budget for the fiscal year ending December 31, 1998 is set forth on Exhibit A attached hereto.

The Common Expense Assessment will be adjusted in December of each year from the Budget which will be adopted by the Board of Directors. The 1998 Common Expense Assessment is set forth on Exhibit B attached hereto.

The Colorado Common Interest Ownership Act as amended establishes that any nonpayment of Owner's Association assessments becomes a priority lien on the Unit that need not be recorded in order to be perfected, is not extinguished by the transfer of ownership from a seller to a buyer, and is foreclosed in the same manner as a mortgage.

- e. Reserve Fund: The Association shall prescribe an adequate reserve fund for the periodic maintenance, repair or replacement and/or reconstruction of the Common Elements, which the Association has an ongoing duty to replace, repair and maintain on a periodic basis, and which fund shall be accumulated and continuously maintained out of the Common Expense Assessment. Such reserve fund shall be accounted for on an annual basis and shall be part of the annual budgetary process provided Unit Owners by the Board of Directors.

There has been a Reserve Fund established by the Developer in the amount of \$[] (two months assessments). This Reserve Fund will be funded by the Developer upon sale of the [•] unit (75% sold and closed). Said sum will be paid to [] Title Company to be placed in an interest-bearing escrow account, and is to be turned over to the Association at the time of "transition" from Declarant control to control by the Owners.

There are no outstanding obligations in favor of the Reserve Fund, nor are there any obligations against the Reserve Fund.

During the Period of Declarant Control, the Declarant does not have a right to borrow or authorize borrowing from the Reserve Fund.

- f. Accounting: Periodic accounting of the Association's funds are available at each Board of Directors' meeting and also will be formally presented at the Annual Meeting of the Association.
- g. Real Estate Taxes: The real property taxes are estimated at [•]% of the purchase price per year, and will be the responsibility of the Purchaser.
- h. Association Insurance: Insurance coverage provided for the benefit of the Purchaser includes all insurance as delineated in the Condominium Declaration for [] Condominiums. The Association will furnish hazard insurance for the Common Elements and liability insurance for the acts occurring on the Common Elements. The Association shall not furnish insurance for an Owner's personal property located within the Condominium Unit.
- i. Working Capital Fund: At the closing of the initial sale of a Unit to an Owner, a non-refundable contribution shall be made by Purchaser to the Working Capital Fund of the Association in an amount equal to two twelfths' installment of the annual Common Expense Assessment for each Unit. Such contribution shall be held in and by the Association in a segregated account as a reserve for working capital, and may be used for unforeseen expenditures or to purchase any additional equipment or services as the Board deems necessary or appropriate.

Such contribution shall not be considered as advance payment of assessments or relieve an Owner from making the regular payments of the assessments as the same come due.

Upon the transfer of his or her Unit, an Owner shall be entitled to a credit from his or her transferee (but not from the Association) for the amount of the contribution to the Working Capital Fund.

The Developer is prohibited from using the Working Capital Fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association.

- j. Date of Commencement: The Common Expense Assessments, have commenced.
- k. Developer's Interest: The Developer has no financial interest in the Association.

The Board of Directors of the Association is responsible for engaging firms and entering into contracts for management and other services. The Board shall have no obligation to select the Developer or its affiliates for such contracts; however, the Board is not prohibited from selecting the Developer and/or affiliates of the Developer.

The Developer has no right to borrow or authorize borrowing from the Association.

- 15. Managing Agent: The managing agent will be []. The managing agent will manage the condominium during the conversion process and will provide all of the necessary management services to

include, among other things, determination of the budget, collection of assessments, and the management, repair, and upkeep of the Common Elements.

The Purchasers may change the managing agent after they have control of the Board of Directors in that the Board of Directors of the Association hires and fires the managing agent. The Purchasers may transfer the control of the managing agent again after the Purchasers have control of the Board of Directors.

The Developer may change the Managing Agent so long as it controls the Board of Directors, and the Developer may transfer control of the Managing Agent so long as it controls the Board of Directors.

16. Metropolitan/Special Districts: The Condominiums are not located in any metropolitan district, developer district, or other special taxing district.
17. Time Share: The Condominiums are not sold as "Time Share" units.
18. Limited Warranty: The Developer shall warrant the satisfactory operation of the following existing items for a period of three months after purchase of the Condominium:
 - electric range and oven
 - dishwasher
 - garbage disposal
 - refrigerator
 - smoke detector
19. Pets: No animals, livestock, birds, poultry, reptiles or insects of any kind, shall be raised, bred, kept or boarded in or on any portion of the Condominium Community, except as may be provided in the Rules & Regulations of the Association and consented to by the Board.
20. Restrictive Covenants and Obligations: ARTICLE [•] of the CONDOMINIUM DECLARATION FOR [] CONDOMINIUMS contains certain restrictive covenants and obligations pertaining to condominium living at [] Condominiums. This Article should be read and understood.
21. Heating and Cooling Systems: The heating system for each Unit is shared by the Condominium Community in the form of a central boiler. The cooling system for each Unit is individual to that Unit. There has not been an inspection of the heating and cooling systems by a qualified party and there has been no evaluation or representation of its useful life and replacement costs.
22. Utility Charges: All of the utility charges for the Common Elements are separately billed to the Association and the cost for these services is an overall expense of the Association and each Owner pays a portion of the cost as part of the monthly Common Expense Assessment.

Water and sewer usage by a Unit is not separately metered and the cost for these services is an overall expense of the Association and each Owner pays a portion of such cost as part of that Unit's monthly Common Expense Assessment.

The gas used to provide heat, hot water and electricity is separately billed to the Association and the cost for these services is an overall expense of the Association and each Owner pays a portion of the cost as part of the monthly Common Expense Assessment.
23. Mechanic's Liens: Mechanic's lien law may authorize enforcement of the mechanic's lien by selling the entire undivided ownership of an Owner in a Unit.