

# READ THIS PROPERTY REPORT BEFORE SIGNING ANYTHING

This report is prepared and issued by the developer of this subdivision. It is NOT prepared or issued by the Federal Government.

Federal law requires that you receive this Report prior to your signing a contract or agreement to buy or lease a lot in this subdivision. However, **NO FEDERAL AGENCY HAS JUDGED THE MERITS OR VALUE, IF ANY, OF THIS PROPERTY.**

If you received this Report before you signed a contract or agreement, you may cancel your contract or agreement by giving notice to the seller any time before midnight of the seventh (7th) day following the signing of the contract or agreement.

If you did not receive this Report before you signed a contract or agreement, you may cancel the contract or agreement any time within two (2) years from the date of signing.

Name of Subdivision: I'On

Names of Developer: The I'On Company, L.L.C., a South Carolina limited liability company

Date of This Report: April 10, 2000

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NOTE: In this Property Report, the words "you" and "your" refer to the buyer. The words "we," "us," and "our" refer to the developer.

## RISKS OF BUYING LAND

The future value of any land is uncertain and dependent upon many factors. DO NOT expect all land to increase in value.

Any value which your lot may have will be affected if the roads, utilities and all proposed improvements are not completed.

Resale of your lot may be difficult or impossible, since you may face the competition of our own sales program, and local real estate brokers may not be interested in listing your lot.

Any subdivision will have an impact on the surrounding environment. Whether or not the impact is adverse and the degree of impact, will depend upon the location, size, planning, and extent of development. Subdivisions which adversely affect the environment may cause governmental agencies to impose restrictions on the use of the land. Changes in plant and animal life, air and water quality, and noise levels may affect your use and enjoyment of your lot and your ability to sell it.

In the purchase of real estate, many technical requirements must be met in order to assure that you receive proper title. Since this purchase involves a major expenditure of money, it is recommended that you seek professional advice before you obligate yourself.

### - WARNINGS -

THROUGHOUT THIS PROPERTY REPORT THERE ARE SPECIFIC WARNINGS CONCERNING THE DEVELOPER, THE SUBDIVISION, OR INDIVIDUAL LOTS. BE SURE TO READ ALL WARNINGS CAREFULLY BEFORE SIGNING ANY CONTRACT OR AGREEMENT.

GENERAL INFORMATION

This report covers three hundred and two (302) lots in Charleston County, South Carolina. See page 33 for a listing of these lots. It is estimated that this subdivision will eventually contain approximately seven hundred and ninety-two (792) lots.

The developer of this subdivision is:

The I'On Company, L.L.C., a South Carolina limited liability company

159 Civitas Street

Mt. Pleasant, SC 29464

(843) 971-1662

Answers to questions and information about this subdivision may be obtained by telephoning the developer at the number listed above.

**A CONDITIONAL PLAT OF THE LOTS IN PHASE 4 OF THE SUBDIVISION HAS NOT YET BEEN APPROVED OR RECORDED, BUT MUST BE APPROVED AND RECORDED PRIOR TO CONVEYANCE OF THOSE LOTS . UNTIL A CONDITIONAL PLAT IS RECORDED FOR SUCH LOTS, THE DESCRIPTION OF SUCH LOTS CONTAINED IN THIS PROPERTY REPORT IS NOT LEGALLY ADEQUATE FOR CONVEYANCE OF SUCH LOTS.**

## TITLE TO THE PROPERTY AND LAND USE

A person with legal title to property generally has the right to own, use, and enjoy the property. A contract to buy a lot may give you possession but does not give you legal title. You will not have legal title until you receive a valid deed. A restriction or an encumbrance on your lot, or on the subdivision, could adversely affect your title.

Here we will discuss the sales contract you will sign and the deed you will receive. We will also provide you with information about any land use restrictions and encumbrances, mortgages, or liens affecting your lot and some important facts about payments, recording, and title insurance.

### METHOD OF SALE

#### Sales Contract and Delivery of Deed

If you decide to purchase a lot, you will sign a sales contract obligating you to pay for the lot entirely in cash (with or without obtaining your own financing) at the closing of the purchase and sale of the lot.

We will deliver a general warranty deed to the property to you within 180 days of execution of a sales contract. You will receive a general warranty deed at the closing of the purchase and sale of the lot.

#### Type of Deed

The transfer of title to all lots will be by a general warranty deed.

### ENCUMBRANCES, MORTGAGES, AND LIENS

All lots described in the listing of lots on page 33 of this Property Report as "Assembly Lots" will be conveyed subject to the following blanket encumbrance.

(1) Declaration of Covenants, Conditions and Restrictions for I'On, recorded in the Office of the Register of Mesne Conveyances, Charleston County, South Carolina, in Book C-297, at Page 282.

All lots described in the listing of lots on page 33 of this Property Report as "Commercial Lots" will be conveyed subject to the following blanket encumbrance:

(2) Declaration of Covenants, Conditions and Restrictions for I'On Square, to be recorded in the Office of the Register of Mesne Conveyances, Charleston County, South Carolina.

The lots in Phase 1 of the subdivision, as described in the listing of lots on page 33 of this Property Report, are also subject to the following blanket encumbrance:

(3) Mortgage from The I'On Company, L.L.C. to Wachovia Mortgage Company, dated August 12, 1997, in the original principal amount of \$4,560,000.00, recorded August 12, 1997, in the Office of the Register of Mesne Conveyances, Charleston County, South Carolina, in Mortgage Book J-288 at Pages 611-618, as amended by that instrument recorded January 16, 1998 in Mortgage Book Z-295 at Page 363.

The lots in Phase 3 of the subdivision, as described on page 33 of this Property Report, are subject to the following blanket encumbrance:

(4) Mortgage from The I'On Company, L.L.C. to Wachovia Mortgage Company dated August 3, 1998, in the original principal amount of Nine Hundred and Forty Thousand Dollars (\$940,000.00), recorded in the Office of the Register of Mesne Conveyances, Charleston County, South Carolina, in Mortgage Book N308, at Page 293.

The lots in Phase 2 of the subdivision, as described on page 33 of this Property Report, are subject to the following blanket encumbrance:

(5) Mortgage from The I'On Company, L.L.C. to Wachovia Mortgage Company dated March 22, 1999, in the original principal amount of Four Million Five Hundred Eighty Thousand Dollars (\$4,580,000.00), recorded in the Office of the Register of Mesne Conveyances, Charleston County, South Carolina, in Mortgage Book F323, at Page 212.

The lots in Phase 4 of the subdivision, as described on page 33 of this Property Report, are subject to the following blanket encumbrance:

(6) Mortgage from The I'On Company, L.L.C. to Wachovia Bank, N.A. dated October 5, 1999, in the original principal amount of Two Million Dollars (\$2,000,000.00), recorded in the Office of the Register of Mesne Conveyances, Charleston County, South Carolina, in Mortgage Book 335, at Page 366.

#### Release Provisions

The Mortgage described in item (3) above contains a provision requiring the lender to release its lien on any lot which is subject to the Mortgage upon receipt of payment of the greater of 61% of the gross sales price of the lot or the release price as stated in a separate I'On Development Loan Release Schedule agreed upon between us and the lender.

The Mortgage described in item (4) above contains a provision requiring the lender to release its lien on any lot which is subject to the Mortgage upon receipt of payment in the amount of Thirty-One Thousand One Hundred and Thirty-Four Dollars (\$31,134.00) per lot to be released.

The Mortgage described in item (5) above contains a provision requiring the lender to release its lien on any lot which is subject to the Mortgage upon satisfaction of certain nonmonetary conditions relating to platting, zoning, and easements for development and the lender's receipt of payment in an amount equal to the greater of 76% percent of the net sales proceeds from the sale of the lot or the minimum release price for the lot set forth in Schedule A to such Mortgage.

The Construction Loan Agreement executed in connection with the Mortgage described in item (6) above, the terms of which are incorporated by reference in the Mortgage, contains a provision requiring the lender to release its lien on any lot which is subject to the Mortgage upon the lender's receipt of a release payment in the amount set forth on the release schedule attached to the Mortgage, provided the lender is reimbursed for any costs which it incurs in connection with the release.

The contract for the sale of each lot obligates us to request and obtain a release of such lot from the applicable Mortgages prior to or simultaneous with closing and transfer of title to such lot. Under the terms of each Mortgage, the lender's obligation to release its lien on a lot is conditioned upon there being no default under the terms of the Mortgage or the promissory note and security agreement referenced in the Mortgage at the time such release is requested. Prior to paying the purchase price for your lot at closing, you should confirm that all releases have been obtained.

## RECORDING THE CONTRACT AND DEED

### Method or Purpose of Recording

Under South Carolina law, recording a sales contract places third parties on notice that the subject property is under contract for sale and may protect you from claims of subsequent purchasers or creditors claiming an interest in the lot. However, South Carolina law does not require that sales contracts be recorded and it is not common practice to do so. The sales contract is not in proper form for recording and will not be recorded. By not recording sales contracts, we avoid creating a defect in title to the lot in the event that the sales contract is terminated and the transaction is not completed for any reason.

UNLESS YOUR CONTRACT OR DEED IS RECORDED, YOU MAY LOSE YOUR LOT THROUGH THE CLAIMS OF SUBSEQUENT PURCHASERS OR SUBSEQUENT CREDITORS OF ANYONE HAVING AN INTEREST IN THE LAND.

The deed to your lot will be recorded. In accordance with the South Carolina Code of Laws (1976), we will deliver the deed for your lot to the Office of the Register of Mesne Conveyances for Charleston County, South Carolina, for recording immediately following the closing. Under South Carolina law, recording a deed protects you from subsequent claims by third parties whose interest arises after the date of recording of the deed.



## Title Insurance

You should obtain an attorney's opinion of title or title insurance policy which describes the rights of ownership you are acquiring in the lot you purchase. We recommend that an appropriate professional interpret the policy for you.

## PAYMENTS

### Escrow

Your earnest money deposit will be placed in an escrow account administered by I'On Realty, L.L.C., a South Carolina limited liability company, whose address is 159 Civitas Street, Mt. Pleasant, South Carolina 29464. I'On Realty, L.L.C. is a real estate broker licensed by the State of South Carolina and, as such, is required to comply with state laws and regulations regarding administration of escrow and trust accounts by real estate brokers.

I'On Realty, L.L.C. is a wholly owned subsidiary of The I'On Company, L.L.C. I'On Realty, L.L.C., as a real estate broker entitled to a commission from the sale of a lot, also has an interest in the transaction itself and thus, is not considered independent. You may lose your deposit on your lot if we fail to deliver legal title to you as called for in the contract, because it is not held in an escrow account which fully protects you.

### Prepayment

If the purchase of your lot is financed by an independent financial institution, you will need to review the financing documents to determine whether there is any penalty for prepayment of the financing.

### Default

The contract for sale specifies the rights and remedies which we may seek in the event you fail to make any payment or perform any obligation required by the contract prior to closing. If you default, we will give you written notice of the default and allow you at least 10 days from your receipt of that notice in which to correct the default. If you default in your obligations under the sales contract prior to closing, we may treat the contract as canceled and retain all monies you have paid as liquidated damages.

If you default in the performance of your obligations under the sales contract after the date of closing, we may elect to pursue any and all remedies available to us at law or in equity.

## RESTRICTIONS ON THE USE OF YOUR LOT

### Restrictive Covenants

Restrictive covenants have been recorded or will be recorded in the Office of the Register of Mesne Conveyances for Charleston County, South Carolina against each lot covered by this Property Report prior to its conveyance. Those lots identified in the listing of lots on page 33 as Assembly Lots will be subject to the restrictive covenants contained in the deed of conveyance and in the Declaration of Covenants, Conditions and Restrictions for I'On ("Assembly Declaration"). I'On Assembly, Inc. ("Assembly"), a mandatory membership property owners association, is charged with administering and enforcing the Assembly Declaration. Each purchaser of an Assembly Lot automatically becomes a member of the Assembly upon taking title to the lot and will remain a member as long as the purchaser owns the lot.

The restrictive covenants contained in the Assembly Declaration are described in the following paragraphs. The discussion only highlights the restrictions contained in the Assembly Declaration and should not be a substitute for your careful study of the document.

The Assembly Lots are subject to architectural controls and design standards. The Assembly Declaration requires, among other things, that a purchaser of a lot secure approval of the I'On Design Committee prior to improving a lot or making any additions or modifications to the exterior of existing improvements. The I'On Design Committee may establish and charge reasonable fees to defray costs of administering applications for approval.

All proposed work on an Assembly Lot must comply with the I'On Code, the document which sets forth the design standards for property in the subdivision, unless the I'On Design Committee has granted a variance in writing. Compliance with the I'On Code is a covenant undertaken by each purchaser of a lot subject to the Assembly Declaration.

In reviewing plans and specifications for proposed work, the I'On Design Committee is guided by the I'On Code, but the I'On Code is not the exclusive basis for its decisions and compliance with the I'On Code does not guarantee approval. The I'On Design Committee may consider any other factors it deems relevant and its decisions may be based on purely aesthetic considerations.

If construction has not commenced on proposed work within six months after the date of approval of any application for such work, the approval is deemed withdrawn. Unless otherwise approved by the I'On Design Committee, all elements of any improvements for which plans are approved must be completed within one year after the date of approval or such shorter period as may be specified in the sales contract for the purchase of the lot.

The Assembly Lots will be conveyed subject to a restriction that they shall not be used for any type of vacation timesharing plan, as defined by Section 27-32-10, *et seq.*, South Carolina Code (1976), without our prior written approval.

The Assembly Lots are also subject to certain use restrictions referred to in the Assembly Declaration as the I'On Rules. The initial I'On Rules are set out in Exhibit D to the Assembly Declaration and include restrictions on parking commercial and residential vehicles, boats and trailers; pets; television antennas, satellite dishes, radio receivers, and similar devices; trash and refuse containers; and signs. Additional restrictions may be established by the Board of Trustees of I'On Assembly, Inc., pursuant to its authority granted in the Assembly Declaration to make and amend reasonable rules and regulations governing use of property, activities and conduct in the subdivision. Such additions and changes to the I'On Rules need not be recorded.

A complete copy of these restrictions is available upon request.

The lots identified in the listing of lots on page 33 as Commercial Lots will be conveyed subject to the Declaration of Covenants, Conditions and Restrictions for I'On Square ("Commercial Declaration"). I'On Square Association, Inc.. ("Association"), a mandatory membership property owners association, is charged with administering and enforcing the Commercial Declaration. Each purchaser of a Commercial Lot automatically becomes a member of the Association upon taking title to the lot and will remain a member as long as the purchaser owns the lot.

The restrictive covenants contained in the Commercial Declaration are described in the following paragraphs. The discussion only highlights the restrictions and should not be a substitute for careful study of the Commercial Declaration, if applicable to the lot you are purchasing.

The Commercial Declaration contains architectural controls and design standards applicable to the Commercial Lots. Among other things, it requires that a purchaser of a lot secure approval prior to improving a lot or making any additions or modifications to the exterior of existing improvements. It authorizes the reviewer to establish and charge reasonable fees to defray costs of administering applications for approval.

All proposed work on a Commercial Lot must comply with architectural guidelines adopted pursuant to the Commercial Declaration, unless the reviewer has granted a variance in writing. Compliance with these standards is a covenant undertaken by each purchaser of a commercial lot. In reviewing plans and specifications for proposed work, the reviewer is guided by the architectural standards, but they are not the exclusive basis for its decisions and compliance with those standards does not guarantee approval. The reviewer may consider any other factors it deems relevant and its decisions may be based on purely aesthetic considerations.

If construction on a Commercial Lot has not commenced on proposed work within one year after the date of approval of any application for such work, the approval is deemed withdrawn. Unless otherwise approved by the reviewer, all elements of any improvements for which plans are approved must be completed within one year after the date of approval or such shorter period as may be specified in the sales contract for the purchase of the lot.

The Commercial Lots will be conveyed subject to a restriction that they shall not be used for any type of vacation timesharing plan, as defined by Section 27-32-10, *et seq.*, South Carolina Code (1976), without our prior written approval.

The Commercial Lots are also subject to certain use restrictions referred to in the Commercial Declaration as the Restrictions and Rules. The initial Restrictions and Rules are set out in Exhibit C to the Commercial Declaration and include restrictions and limitations on residential use, office use and other specific types of uses, as well as restrictions on activities such as parking, outdoor storage of goods, materials, or equipment, and conditions such as antennae and similar devices; trash and refuse containers; and signs, among other things. The Restrictions and Rules restrict use of the street level of each Commercial Lot to use for operation of a restaurant, retail or neighborhood business whose goods or services are primarily marketed to the general public (i.e., retail consumers as opposed to other businesses, nonprofit organizations, or government agencies. The Board of Directors or members of the Association may establish additional rules and restrictions pursuant to the authority granted in the Commercial Declaration to make and amend reasonable rules and regulations governing use of property, activities and conduct. Such additions and changes to the Restrictions and Rules need not be recorded.

A complete copy of these restrictions is available upon request. As of the effective date of this Statement of Record, the Commercial Declaration has not been recorded, although we intend to record it against each Commercial Lot prior to conveying the Commercial Lot. Unless and until it is recorded against each Commercial Lot, there is no assurance that it will be applied uniformly and it may be difficult to enforce. The Commercial Declaration subject to change by us prior to recording and thereafter in accordance with the amendment provisions set forth in the Commercial Declaration.

#### Easements

There are easements which may affect your plans for building or using your lot. There are drainage, access and utility easements which affect the lots covered by the Property Report as shown or to be shown on the recorded plats. There are also easements applicable to the Assembly Lots that are described in the Declaration and easements applicable to the Commercial Lots that are described in the Commercial Declaration .

Article V of the Declaration and Article VII of the Commercial Declaration set forth certain easements for access by public safety officers and other public servants in the performance of their duties and easements for encroachments, maintenance, and utilities. The Declaration also provides for the creation of additional easements for conservation, wetlands buffering, landscaping and similar purposes, by other recorded instruments. You are advised to read Article V of the Declaration and Article VII of the Commercial Declaration carefully for an understanding of the nature and scope of these easements.

The lots covered by this Property Report are not subject to any type of flood control or flowage easements.

## PLATS, ZONING, SURVEYING, PERMITS AND ENVIRONMENT

### Plats

A final plat covering the lots in Phase 1A of the subdivision, as described on page 33 of this Property Report, has been approved by the Town of Mt. Pleasant, South Carolina and recorded in the Office of the Register of Mesne Conveyances of Charleston County, South Carolina in Plat Book EC at Page 631. The descriptions of the lots on such plat are legally adequate for the conveyance of the lots.

Final plats covering the lots in Phase 1B of the subdivision, as described on page 33 of this Property Report, have been approved by the Town of Mt. Pleasant, South Carolina and recorded in the Office of the Register of Mesne Conveyance of Charleston County, South Carolina in Plat Book EC at Pages 976-977 and in Plat Book ED at Page 228 . The descriptions of the lots on such plats are legally adequate for the conveyance of the lots.

Final plats covering the lots in Phase 1C of the subdivision, as described on page 33 of this Property Report, have been approved by the Town of Mt. Pleasant, South Carolina and recorded in the Office of the Register of Mesne Conveyances of Charleston County, South Carolina in Plat Book ED at Page 225 and in Plat Book ED at Page 227 . The descriptions of the lots on such plats are legally adequate for the conveyance of the lots.

A final plat covering the lots in Phase 3 of the subdivision, as described on page 33 of this Property Report, has been approved by the Town of Mt. Pleasant, South Carolina and recorded in the Office of the Register of Mesne Conveyances of Charleston County, South Carolina in Plat Book ED at Page 328. The descriptions of the lots on such plat are legally adequate for the conveyance of the lots.

A conditional plat covering the lots in Phase 2, Subphases A-E of the subdivision (exclusive of the areas in Subphase 2B labeled "Future Development"), as described on page 33 of this Property Report, has been approved by the Town of Mt. Pleasant, South Carolina and recorded in the Office of the Register of Mesne Conveyances of Charleston County, South Carolina in Plat Book ED at Pages 108-109. The descriptions of the lots on such plat are legally adequate for the conveyance of the lots.

A conditional plat covering the lots in Phase 2, Subphase IIB (Future Development Parcels) and Subphase F, as described on page 33 of this Property Report, has been approved by the Town of Mt. Pleasant, South Carolina and recorded in the Office of the Register of Mesne Conveyances of Charleston County, South Carolina in Plat Book ED at Page 670. The descriptions of the lots on such plat are legally adequate for the conveyance of the lots.

A conditional plats of the lots in Phase 4 of the subdivision has not yet been approved or recorded, but must be approved and recorded prior to conveyance of those lots. Until either a conditional or final plat is recorded for particular lots, the description of the lot contained in this Property Report is not legally adequate for conveyance of such lot.

## Zoning

All lots described on page 33 of this Property Report are designated for single-family residential use except those lots identified by the designation "CM" or "CV" before the lot number, which are designated for commercial or civic purposes, respectively. These uses conform to local zoning requirements and the restrictive covenants pertaining to the subdivision.

## Surveying

Each lot has been or will be surveyed at our expense and identified on a recorded plat prior to conveyance. Pins will be set on the corners of each lot to physically mark the lot boundaries.

## Permits

Before beginning construction on a lot, the purchaser must obtain approval of the plans for the proposed improvements, as discussed under the caption "Restrictive Covenants" above. In addition, the purchaser must obtain a building permit from the Town of Mt. Pleasant, South Carolina before commencing construction. Upon completion of construction, the purchaser must obtain a certificate of occupancy from the Town of Mt. Pleasant before the dwelling or other structure may be occupied. No other governmental permits will be necessary in order to use the lot for such purposes as are permitted by applicable zoning and recorded covenants and restrictions.

## Environment

No independent environmental impact study has been required or conducted for the subdivision. Thus, no determination has been made as to all of the possible adverse effects the subdivision may have upon the environment and surrounding area.

In connection with our subdivision approval by the Town of Mt. Pleasant, we prepared an impact assessment which addresses the impact of the subdivision in a number of specific areas, including its impact on the environment. The assessment describes the following plans to mitigate any detrimental effect on the environment.

The subdivision has 2,488 linear feet of frontage along a section of Mathis Ferry Road designated as a South Carolina Scenic Highway in June 1988. In order to maintain and enhance the screening effect of the existing live oak canopy along this highway, we plan to provide a 25 foot wide natural buffer along the entire frontage, work with the South Carolina Department of Transportation and the Town of Mt. Pleasant to replant live oaks where trees have died or been removed, and utilize understated brick columns and minimal signage to designate entryways to the subdivision.

The subdivision currently drains overland to three lakes on the property, a large wetland at the headwaters of Molasses Creek, and the adjacent salt marshes. We plan to make extensive use of the three lakes and the existing freshwater wetlands to limit storm water runoff to pre-

development rates and contain non-point runoff from entering the salt marsh. An extensive park system planned along the highlands above the marshes and waters of Hobcaw Creek, together with other management practices, will serve a dual purpose of providing storm water control and serving as an amenity for residents.

The subdivision has over 2 miles of marsh and deep water frontage along Hobcaw Creek and 1.46 miles of frontage along the lakes mentioned above. The U. S. Army Corps of Engineers has delineated and approved the critical line along the marshes and waters of Hobcaw Creek and the freshwater wetlands within the subdivision. Rather than subdividing this premium frontage into lots, over 75% of the marsh, water frontage and lake frontage is planned as parks. One of the three lakes will be preserved as a wildlife sanctuary.

## ROADS

Here we discuss the roads which lead to the subdivision, the roads within the subdivision, and the location of nearby communities.

### ACCESS TO THE SUBDIVISION

Access to the subdivision is provided on a year-round basis by a public road designated as Mathis Ferry Road. Mathis Ferry Road is a two-lane, asphalt surface road. The width of the wearing surface is 24 feet.

The South Carolina Department of Transportation is responsible for improving and maintaining Mathis Ferry Road. You will not be responsible for any costs associated with maintaining this road (except to the extent that the taxes you pay are used to fund road maintenance and improvements). No improvements to the road are contemplated at the present time.

### ACCESS WITHIN THE SUBDIVISION

Legal and physical access by conventional automobile to the lots within the subdivision is, or will be, provided on a year-round basis by public, two-lane roads with a wearing surface ranging from 17 to 30 feet, as shown in The I'On Code (a part of the zoning ordinance approving the development plan for the subdivision) and on the recorded plats of the subdivision. The surface of the roads will be predominantly asphalt, although there may be narrow strips of cobblestone, brick or granite pavers used for special purposes or effects at various points. In addition, many of the lots will be served by alleys or "service lanes" permitting vehicular access to the rear of the lot. Such service lanes have or will have a wearing surface which is approximately 9 feet in width and comprised of asphalt, a pervious paving material such as crusher run, or a combination thereof.

We are responsible for constructing the roads within the subdivision and will dedicate each road or portion thereof shown on a recorded final plat to the Town of Mt. Pleasant upon recording of the final plat. We will retain maintenance responsibility for the roads for approximately two years after completion of the roads, except that the I'On Assembly, Inc. or the I'On Square Association, Inc. will be responsible for maintenance of any cobblestone, granite or brick pavers within the public roads. The I'On Assembly, Inc. will also be responsible for maintaining the service lanes providing access to the rear of Assembly Lots within the subdivision. The I'On Square Association, Inc. will be responsible for maintaining the service lanes, if any, providing access to the rear of the Commercial Lots.

You will not be responsible for any costs associated with construction or maintenance of the public roads, except to the extent that the property taxes you pay to the Town of Mt. Pleasant are used to fund road maintenance and improvements and except to the extent that the



assessments you pay to the I'On Assembly, Inc. or the I'On Square Association, Inc., are used to maintain the cobblestone, granite or brick pavers within the public roads. You will not be responsible for any costs associated with construction of the service lanes, but will pay assessments to the I'On Assembly, Inc. or the I'On Square Association, Inc. for your pro rata share of the costs of maintaining the service lanes.

The roads in Phases 1, 2 and 3 of the subdivision are complete. Prior to the conveyance of a lot in Phase 4, we will be required to post a bond with the Town of Mt. Pleasant to provide financial assurances for completion of any incomplete roads within such phase.

The estimated completion dates for the construction of roads within the subdivision are as follows:

| Phase | Estimated Starting Date | % of Construction Now Complete | Estimated Completion Date | Present Surface | Final Surface |
|-------|-------------------------|--------------------------------|---------------------------|-----------------|---------------|
| 1     | 8/1997                  | 100%                           | N/A                       | Asphalt         | Asphalt       |
| 2     | 3/1999                  | 100%                           | N/A                       | Asphalt         | Asphalt       |
| 3     | 10/1998                 | 100%                           | N/A                       | Asphalt         | Asphalt       |
| 4     | 12/1999                 | 10%                            | 8/2000                    | Dirt            | Asphalt       |
|       |                         |                                |                           |                 |               |
|       |                         |                                |                           |                 |               |
|       |                         |                                |                           |                 |               |

The table below identifies the distance (in miles) from the subdivision to nearby communities.

| Community Name           | Population | Distance over Paved Roads | Distance Over Unpaved Roads | Total Miles |
|--------------------------|------------|---------------------------|-----------------------------|-------------|
| Charleston (County Seat) | 76,854     | 5 miles                   | 0 miles                     | 5 miles     |
| Sullivan's Island        | 1,339      | 5 miles                   | 0 miles                     | 5 miles     |
| Mt. Pleasant             | 38,056     | 0 miles                   | 0 miles                     | 0 miles     |

## UTILITIES

Here we will discuss the availability and costs of basic utilities. The areas covered will be water, central sewer, septic tank system, electricity, telephone, and fuel or other energy sources.

### WATER

Water is or will be supplied to the lots within the subdivision by a central water distribution system which is presently owned and operated by Mount Pleasant Waterworks, P.O. Box 330, 1619 Rifle Range Road, Mt. Pleasant, South Carolina 29464.

Water mains are or will be extended in front of or adjacent to each lot.

The following chart indicates the current status of the construction of the central water distribution system for each existing phase of the subdivision:

### WATER

| Phase | Estimated Starting Date (Month & Year) | Percentage of Construction Now Complete | Estimated Service Availability Date (Month & Year) |
|-------|--|---|--|
| 1     | 8/1997                                 | 100%                                    | Now Available                                      |
| 2     | 7/1999                                 | 100%                                    | Now Available                                      |
| 3     | 10/1998                                | 100%                                    | Now Available                                      |
| 4     | 6/2000                                 | 0%                                      | 8/2000   |
|       |  |   |  |
|       |  |   |  |
|       |  |   |  |

Mt. Pleasant Waterworks, which is a division of the Town of Mt. Pleasant government (or whose operations are regulated by the Town of Mt. Pleasant), has indicated that the central water supply system has a present capacity of 3.2 million gallons per day, 300 gallons per connection and that this is sufficient to serve the anticipated population of the subdivision.

|  |
|--|
| THERE HAVE BEEN NO HYDROLOGICAL SURVEYS CONDUCTED TO CONFIRM THAT A SUFFICIENT WATER SUPPLY IS AVAILABLE TO SERVE THE SUBDIVISION. |
|--|

Mt. Pleasant Waterworks has represented that the water available for the subdivision is tested for purity and content on a regular basis and meets all standards for a public water supply.

The timetable for extension of the central water system is based upon our plans and projections for an orderly expansion of the subdivision over a 7 to 8 year period and the seasons during which construction is feasible.

We are responsible for the construction of the water mains and distribution system to serve the subdivision and all costs associated with such construction. Construction of the water mains and distribution system to serve the lots within Phases 1, 2 and 3 of the subdivision is complete. Prior to the conveyance of a lot in Phase 4 or any subsequent phase of the subdivision, we will be required to post a bond with the Town of Mt. Pleasant to provide financial assurances for completion of the water mains and distribution system to serve lots in such phase, if not then completed.

All permits have been obtained from the proper agencies for the construction, use, and operation of the water mains and distribution system to serve the lots covered in this Property Report.

In addition to user fees, each purchaser will be responsible for paying a one-time connection fee to connect the building on the lot to the central water system. Currently the cost to the purchaser per connection is \$874. You must pay this connection fee prior to obtaining a building permit. This amount is subject to change by the owner of the water system.

You will also be responsible for the construction of service lines to any improvements you build on your lot, plus the cost of water meters, cut-off valves, or other equipment which may be related to your water connection. The amount of these additional charges will vary depending upon the location of your lot and the location of the improvements on your lot.

There is no charge to you for construction costs, availability fees, special assessments, or deposits for the central water system.

Individual water systems, such as a private well, are not permitted on any lot. Connection to the central system is mandatory for all lots in the subdivision.

## SEWER

The subdivision will be served by a central sewer system. We are responsible for constructing the sewer mains, lift station and force main to permit the lots in the subdivision to connect to the central treatment plant. Sewer mains will be installed in front of, or adjacent to, each of the lots in the subdivision.

Construction of the sewer system improvements within the subdivision has begun and is completed to the lots in Phases 1, 2 and 3, which is approximately 83% of the lots covered in this Property Report. Installation of a force main and pump station to allow for expansion of the sewer system to other phases of the subdivision is complete. We estimate that service will be completed to all lots in the subdivision in stages over the next seven to eight years. The

following chart indicates the estimated timetable for construction and service availability for each existing phase of the subdivision:

SEWER

| Phase | Estimated Starting Date<br>(Month/Year) | % of Construction<br>Now Complete | Estimated Service<br>Availability Date<br>(Month/Year) |
|-------|---|-----------------------------------|--|
| 1     | 8/1997                                  | 100%                              | Now Available  |
| 2     | 6/1999                                  | 100%                              | Now Available  |
| 3     | 10/1998                                 | 100%                              | Now Available  |
| 4     | 2/2000                                  | 70%                               | 7/2000   |
|       |   |                                   |  |
|       |   |                                   |  |
|       |   |                                   |  |

The central sewer system will be owned and operated by Mount Pleasant Waterworks, P.O. Box 330, 1619 Rifle Range Road, Mt. Pleasant, South Carolina 29464, (843) 884-9626. Mt. Pleasant Waterworks is a division of (or regulated and supervised by) the Town of Mt. Pleasant, South Carolina.

We have obtained the necessary permits for the construction of the central sewer system to serve the subdivision.

THE CENTRAL SEWER SYSTEM IS STILL UNDER CONSTRUCTION AND NOT PRESENTLY ABLE TO SERVE ALL LOTS BECAUSE SEWER MAINS HAVE NOT YET BEEN EXTENDED TO ALL LOTS. THE SEWER SYSTEM IS PRESENTLY COMPLETED TO SERVE APPROXIMATELY 307 LOTS.

Mt. Pleasant Waterworks has indicated that the sewage treatment facility is complete and has sufficient capacity to service all of the lots within the subdivision.

In addition to user fees, purchasers will be required to pay a one time connection fee to connect the structure on their lot to the central sewer system. The connection fee currently is \$1,340. You must pay this connection fee prior to obtaining a building permit. This amount is subject to change by the owner of the central sewer system.

There is no charge to you for construction costs, availability fees, special assessments, or deposits for the central sewer system.

Individual sewage treatment systems, such as septic tanks, are not permitted on any lot. Connection to the central system is mandatory for all lots in the subdivision.

We are responsible for the construction of the sewer system improvements to serve the subdivision and all costs associated with such construction. Construction of such improvements is complete to serve the lots in Phases 1, 2 and 3 of the subdivision. Prior to the conveyance of a lot in Phase 4 or any subsequent phase of the subdivision, we will be required to post a bond with the Town of Mt. Pleasant to provide financial assurances for completion of any incomplete sewer system improvements to serve lots in such phase.

### ELECTRICITY

Electricity is or will be provided by South Carolina Electric and Gas, a publicly regulated utility operating under the rules of the Public Service Commission of South Carolina. The primary electrical service lines will be extended in front of or adjacent to each lot.

Electrical service lines have not yet been extended to all lots in the subdivision. South Carolina Electric and Gas is responsible for installation of electrical service lines. Installation has begun and is expected to be completed in stages over the next 8 years.

The following chart sets forth the estimated starting dates and estimated service availability dates for each existing phase of the subdivision.

### ELECTRIC SERVICE

| Phase | Estimated Starting Date (Month & Year) | % of Construction Now Complete | Estimated Service Availability Date (Month & Year) |
|-------|--|--------------------------------|--|
| 1     | 8/1997                                 | 100%                           | Now Available                                      |
| 2     | 1/1999                                 | 60%                            | 7/2000   |
| 3     | 10/1998                                | 100%                           | Now Available                                      |
| 4     | 6/2000                                 | 0%                             | 7/2000   |
|       |  |                                |  |
|       |  |                                |  |
|       |  |                                |  |

You will not be responsible for any construction costs associated with extending the primary electrical service lines to the service point in front of or adjacent to your lot. You will be responsible for installing electrical lines within your lot boundaries and structures on your lot. At present, South Carolina Electric and Gas does not charge for such installation, but it may impose charges for installation in the future.

## TELEPHONE

Telephone service will be available from BellSouth to serve each lot in the subdivision. Telephone service lines have been or will be extended in front of or adjacent to each lot.

Telephone service lines have not yet been extended to all lots in the subdivision. BellSouth is responsible for installation of telephone service lines. Installation has begun and is expected to be completed in stages over the next 5 years. The following chart sets forth the estimated starting dates and estimated service availability dates for each existing phase of the subdivision.

## TELEPHONE

| Phase | Estimated Starting Date (Month & Year) | % of Construction Now Complete | Estimated Service Availability Date (Month & Year) |
|-------|--|--------------------------------|--|
| 1     | 8/97                                   | 100%                           | Now Available                                      |
| 2     | 10/98                                  | 40%                            | 5/2000   |
| 3     | 10/98                                  | 100%                           | Now Available                                      |
| 4     | 7/99                                   | 0%                             | 9/2000   |
|       |  |                                |  |
|       |  |                                |  |
|       |  |                                |  |

You will not be responsible for any construction costs associated with extending the telephone service lines to the service point in front of or adjacent to your lot. You will be responsible for the cost of installing service lines within your lot boundaries and structures on your lot. At present, BellSouth does not charge for such installation, but it may impose charges for such installation in the future.

## FUEL OR OTHER ENERGY SOURCE

Natural gas service is not available to serve the subdivision at this time and we are not aware of any plans to extend natural gas service to the subdivision.

## FINANCIAL INFORMATION

A copy of our audited financial statement for the period ending December 31, 1998, along with an interim unaudited statement as of November 30, 1999, is available from us upon request.

## LOCAL SERVICES

In this topic, we will discuss the availability of fire and police protection and the location of schools, medical care, shopping facilities, mail services and public transportation.

### FIRE PROTECTION

Mt. Pleasant Fire Department provides fire protection services to the subdivision on a year round basis from a station located approximately 0.5 mile from the subdivision. Fire hydrants will be installed throughout the subdivision so that there is a fire hydrant within 300 feet of the front corner of each lot.

Statewide standards for water pressure (measured in gallons per minute) call for a minimum of 500 gpm. However, as part of an effort to preserve Mount Pleasant's high ISO rating, the Mount Pleasant Fire Department has imposed a minimum requirement for properties in Mount Pleasant of 1000 gpm. For structures with over 3000 square feet of floor area, the minimum required water pressure is determined by a formula. If the closest fire hydrant cannot reach those flow minimums for the structures on your lot, you must install a sprinkler system. We anticipate that most structures with more than 3000 square feet of floor area built on lots in Phase 2 in the area from around East Shipyard Road north to Hobcaw Creek will need sprinkler systems.

### POLICE PROTECTION

Mt. Pleasant Police Department provides police protection services to the subdivision. The Police Department is located 0.5 mile from the subdivision.

### SCHOOLS

James B. Edwards Elementary School, a public elementary school, is located 1.5 miles from the subdivision. Moultrie Middle School, a public intermediate school, is 2.3 miles from the subdivision. Wando High School, a public high school, is located 2 miles from the subdivision. School bus transportation will be available from within the subdivision to each of these schools.

### HOSPITAL

The nearest available hospital is East Cooper Regional Hospital, located at 1200 Johnnie Dodds Boulevard, Mt. Pleasant, South Carolina 29464, approximately 1.2 miles from the subdivision.

Ambulance service is available through Charleston County Emergency Medical Service.



## PHYSICIANS AND DENTISTS

The nearest physician's office is located at 900 Bowman Road, Mt. Pleasant, South Carolina, one mile from the subdivision, and the nearest dentist's office is located at 815 Lowcountry Boulevard, Mt. Pleasant, South Carolina, 0.1 mile from the subdivision.

## SHOPPING FACILITIES

Shopping facilities are available in Mt. Pleasant, 0.6 mile from the subdivision.

## MAIL SERVICE

The United States Postal Service provides mail service to the subdivision. Mail delivery may be provided to a central location or locations within the subdivision, rather than to individual lots.

## PUBLIC TRANSPORTATION

There is no public ground transportation within the subdivision and no public ground transportation to nearby towns. The closest bus stop is located on Houston Northcutt Boulevard, approximately 3/4 of a mile from the main entrance to the subdivision.

RECREATIONAL FACILITIES

| Facility                    | % of Construction Now Complete | Estimated Date of Start of Construction (Month/Year) | Estimated Date Available for Use (Month/Year) | Financial Assurance of Completion | Buyer's Annual Cost or Assessments |
|-----------------------------|--------------------------------|--|---|-----------------------------------|------------------------------------|
| <b>PHASE 1</b>              |                                |  |   |                                   |                                    |
| Eastlake Park and lake      | 100%                           | 9/1997   | Now Available                                 | None                              | Part of annual assessment          |
| Eastlake Boathouse          | 100%                           | 4/1998   | Now Available                                 | None                              | Part of annual assessment          |
| Canals                      | 100%                           | 11/1997  | Now Available                                 | None                              | Part of annual assessment          |
| Sidewalks, paths and trails | 95%                            | 4/1998   | 4/2000  | None                              | Part of annual assessment          |
| Parks and Open Space        | 95%                            | 4/1998   | 4/2000  | None                              | Part of annual assessment          |
| <b>PHASE 2</b>              |                                |  |   |                                   |                                    |
| Marshwalk (park)            | 50%                            | 2/2000   | 6/2000  | None                              | Part of annual assessment          |
| Community Docks             | 50%                            | 1/2000   | 9/2000  | None                              | Part of annual assessment          |
| Sidewalks, paths and trails | 100%                           | 8/1999   | Now Available                                 | None                              | Part of annual assessment          |
| Parks and Open Space        | 70%                            | 2/2000   | /7/2000                                       | None                              | Part of annual assessment          |

|                |      |        |               |      |   |
|----------------|------|--------|---------------|------|---|
| <b>PHASE 3</b> |      |        |               |      |   |
| Sidewalks      | 100% | 2/2000 | Now available | None | Part of property taxes paid to Town of Mt. Pleasant |

#### Constructing the Facilities

We are responsible for construction of all of the recreational facilities described in the chart above. You will not be required to pay any costs of constructing these facilities.

#### Maintaining the Facilities

I'On Assembly, Inc. will be responsible for operation and maintenance of the recreational facilities described in the chart above, except as follows. Sidewalks will be maintained by the Town of Mt. Pleasant. The community dock will be owned, operated and maintained by I'On Club, L.L.C., subject to an easement for use and access by members of I'On Assembly, Inc. as set forth in a recorded easement agreement between I'On Assembly, Inc. and I'On Club, L.L.C. Such easement agreement obligates the Assembly to pay a share of the costs of maintaining and operating the community dock, as well as any adjacent boat ramp and parking area made available for use by members of I'On Assembly, Inc.

The annual cost to the owners of Assembly Lots to maintain, operate and insure the recreational facilities is or will be incorporated in the annual assessment which each such owner pays to I'On Assembly, Inc. Current owners association annual assessments are \$400 per lot per year, but are subject to change as provided in the Declaration. Owners of Commercial Lots will have no right to use the recreational facilities owned by I'On Assembly, Inc. or I'On Club, L.L.C., and thus, will not be subject to assessment by I'On Assembly, Inc. for the costs associated with those recreational facilities.

#### Transfer of the Facilities

The recreational facilities listed in the chart above, other than the sidewalks and community dock, shall, upon completion of construction, be conveyed to I'On Assembly, Inc. by quitclaim deed free and clear of all monetary liens and encumbrances at no cost to I'On Assembly, Inc. or its members. Upon conveyance of these facilities to the I'On Assembly, Inc., it shall assume full responsibility for the costs of ownership, operation, and maintenance of the facilities conveyed to it. Such costs will increase the responsibilities of the I'On Assembly, Inc. and its board of trustees and could result in an increase in future assessments or special assessments payable to the I'On Assembly, Inc. by owners of Assembly Lots.

### Who May Use the Facilities

The recreational facilities listed in the chart above will be available for use by owners and occupants of the Assembly Lots and other members of the I'On Assembly, Inc., including the developer, and their respective guests. In addition, the community dock, the Eastlake lake and boathouse, and certain parks will be available for use by such club members and others (which may include members of the general public) as I'On Club, L.L.C. may designate from time to time pursuant to the easement agreement referenced above. The recreational facilities are not available for use by owners or occupants of the Commercial Lots except to the extent that I'On Club, L.L.C. may authorize such use.

There may be additional recreational facilities in the subdivision which are not listed in the above chart and which will be privately owned and operated by a person or entity other than the I'On Assembly, Inc. The operation and use of, and access to, such facilities is not guaranteed and is subject to such terms and conditions and payment of such fees as the owner and operator of such facilities may establish from time to time. Any or all of such additional facilities may be operated as a private club for members and their guests. Membership in any such club may be subject to application, approval and availability, and payment of such initiation fees, dues and other charges as the owner/operator of the facility may establish and change in its sole discretion.

VARIOUS RECREATIONAL FACILITIES IN THE SUBDIVISION MAY BE OWNED AND OPERATED BY PERSONS OTHER THAN THE I'ON ASSEMBLY, INC. ANY OR ALL OF SUCH FACILITIES MAY BE OPERATED AS A PRIVATE CLUB FOR MEMBERS AND THEIR GUESTS. THERE IS NO ASSURANCE THAT YOU WILL BE ACCEPTED FOR MEMBERSHIP IN ANY SUCH PRIVATE CLUB IF YOU APPLY. IF ACCEPTED, THE COSTS OF SUCH A MEMBERSHIP MAY BE SUBSTANTIAL AND ARE IN ADDITION TO THE PURCHASE PRICE OF YOUR LOT. NO REFUND OF THE PURCHASE PRICE OF YOUR LOT WILL BE MADE IF YOU CANNOT OBTAIN A MEMBERSHIP. SINCE THE VALUE OF YOUR LOT MAY BE ADVERSELY AFFECTED BY YOUR INABILITY OR FAILURE TO OBTAIN A MEMBERSHIP, YOU SHOULD CAREFULLY CONSIDER YOUR PURCHASE OF A LOT IF IT IS BASED UPON YOUR PRESUMED ABILITY TO OBTAIN A MEMBERSHIP IN ANY PRIVATE CLUB AND TO USE ITS RECREATIONAL FACILITIES.

## SUBDIVISION CHARACTERISTICS AND CLIMATE

In this section, we will discuss the basic terrain of the subdivision, the climate of the region, and any nuisances or hazards affecting the subdivision.

### GENERAL TOPOGRAPHY

The general topography of the land in the subdivision is coastal lowcountry. The elevation of the subdivision ranges between 7 to 25 feet above sea level with an average elevation of 19 feet above sea level. The major physical characteristics of the land in the subdivision include primarily fine loamy sands with excellent permeability. There are over two miles of marsh frontage and 300 feet of deep water frontage along Hobcaw Creek, and three existing man-made lakes covering approximately 24.6 acres. The headwaters of Molasses Creek and tributaries of Hobcaw Creek originate within the subdivision and traverse the property. Approximately 9% of the land within the subdivision is planned to be maintained as natural open space and 10% is planned to be developed parkland.

We are not aware of any steep slopes, rock outcroppings, unstable or expansive soil conditions, or other conditions which would necessitate the use of special construction techniques to build on or use any lot listed in this Property Report.

### WATER COVERAGE

There are no lots or portions of lots listed in this Property Report that are covered by water at any time.

### DRAINAGE AND FILL

Before a building can be constructed on a lot in the subdivision, it will be necessary to strip the organic topsoil from that portion of the lot lying within the building footprint and replace it with structural fill in accordance with standard construction practices. We are not aware of any lots listed in this Property Report which will require draining or significant fill prior to being used for the purpose for which they are sold. If any lots should require draining or anything more than standard structural fill prior to being used for building construction, we will be responsible for taking any corrective action that may be required.

### FLOOD PLAIN

All or portions of Lots CM-9, 137 and 138 of Phase 1 are within a designated flood zone. In addition, Phase 2 of the subdivision adjoins a tidal marsh and Lots 270-276, 278-284, 294-297, 253-259, and CV-6, and Lots 192-194, 195A, 195B, 195C and 195D of Phase 2 are in a designated A7 flood zone. All or portions of Lots 156-170 of Phase 3 are in a designated A7

flood zone. All or portions of Lots 327-329, 331-341, 351-353 and CV-7 of Phase 4 are in a designated A7 flood zone. Flood insurance is available and will be required in connection with financing of improvements to these lots should the structure(s) planned for the lots lie within the portion of the lot within the A7 flood zone. The estimated cost of flood insurance on these lots is \$395 per year for a \$250,000 home with \$50,000 coverage for contents and a \$500 deductible.

## FLOODING AND SOIL EROSION

We have developed and are in the process of implementing a program which provides, or will provide, controls for soil erosion, sedimentation and storm water for the subdivision. The program includes seeding or silt fencing all exposed areas in accordance with the guidelines of the Department of Health and Environmental Control (DHEC) and the Office of Ocean and Coastal Resource Management (OCRM). The program has been reviewed and approved by all appropriate federal, state and Town of Mt. Pleasant regulatory agencies.

Implementation of the program began in August 1997 when initial soil disturbance permits were issued and is expected to be completed by June 2000 for the lots covered in this Property Report. We are obligated to comply with the program. Satisfactory completion of environmental controls is a pre-requisite to approval of a final subdivision plat for each sub-phase of the subdivision.

Prior to recording a conditional plat for any sub-phase of development, we are required to provide financial assurances to the Town of Mt. Pleasant for completion of infrastructure to serve that sub-phase. Environmental controls are an essential component of the infrastructure covered by those financial assurances. At this time, all infrastructure, including environmental controls, has been completed and final plats have superseded the conditional plats in all of Phases 1 and 3. We have obtained conditional approval of the plats for Phase 2, Subphases A-E (consisting of 80 lots), Subphase IIB Future Development Parcels (consisting of 13 lots) and Subphase IIF (consisting of 19 lots) and we have posted a letter of credit from Wachovia National Bank in an amount equal to one and one-half times our engineer's estimate of work to be complete within each of those sub-phases. No plat has been recorded yet for Phase 4. A letter of credit will be posted to assure completion of infrastructure, including environmental controls, in that phase prior to recording the conditional plat for that phase.

## NUISANCES

There are no known land uses or nuisances which may adversely affect the subdivision.

## HAZARDS

We are not aware of any unusual safety factors which affect the subdivision, nor are we aware of any proposed plans for construction which may create a nuisance or safety hazard or adversely affect the subdivision.

Due to its proximity to the Atlantic Ocean, the subdivision is subject to the effects of hurricanes. It has been formally identified by the Federal Emergency Management Agency as an area subject to the frequent occurrence of natural hazards, including earthquakes.

The Town of Mt. Pleasant has a rating system for fire hazard based on equipment, response time, and general effectiveness. The subdivision has a fire rating of 3 on a scale of 1 to 9 (1 being highest).

#### CLIMATE

The average temperature ranges for the area in which the subdivision is located are as follows:

|      | Summer<br>( <u>June-August</u> ) | Winter<br>( <u>November-March</u> ) |
|------|----------------------------------|-------------------------------------|
| High | 90.2°                            | 57.8°                               |
| Mean | 81.5°                            | 47.8°                               |
| Low  | 72.7°                            | 37.7°                               |

The average annual rainfall is 51.53 inches and the average annual snowfall is approximately 0 inches.

#### OCCUPANCY

Seventy-two homes in the subdivision are occupied on a full- or part-time basis as of the date of this Property Report.

## ADDITIONAL INFORMATION

In this section, we will discuss the property owners association, your liability for real estate taxes and assessments levied against subdivision lots, matters pertaining to the resale of the lots, equal opportunity in lot sales and the listing of lots within the subdivision.

### PROPERTY OWNERS ASSOCIATION

On Assembly, Inc. ("Assembly"), is the property owners association for those lots within the subdivision which are described as Assembly Lots in the listing of lots on page 33 of this Property Report. The Assembly was formed as a South Carolina nonprofit corporation on June 4, 1998 and has been operational since that date. The incorporator was Vincent G. Graham, 516 Mathis Ferry Road, Mt. Pleasant, South Carolina 29464.

The developer holds a Founder membership in the Assembly until all lots planned for the subdivision have been conveyed to purchasers other than builders or February 9, 2018, whichever is later. As the Founder member, we have the right to exercise control over the Assembly by appointing, removing and replacing a majority of the members of the Assembly's governing board ("Board of Trustees") until the earlier of (i) the date as of which 75% of the total acreage of the property planned for inclusion in the subdivision has been conveyed to persons other than builders, or (ii) February 9, 2018, unless we voluntarily choose to relinquish such right earlier.

Actions which require a vote of the membership generally require approval of a specified percentage of the property owners and the consent of the Founder. In addition, as long as the Founder membership exists, we have the specific right to disapprove any action, policy or program of the Assembly, the Board of Trustees or any committee which we believe would tend to impair our rights or the rights of builders under the Assembly Declaration or the Assembly's bylaws, or interfere with development or construction, or diminish the level of services being provided by the Assembly.

Membership in the Assembly is mandatory for every owner of an Assembly Lot. If title to a lot is held in joint names, all owners of such lot share privileges and responsibilities of such membership.

Each owner of an Assembly Lot is required to pay assessments to the Assembly. The annual General Assessment is currently \$400 per lot. General Assessments cover the Assembly's annual operating costs. General Assessments may be adjusted each fiscal year by the Board of Trustees, subject to procedures set forth in the Declaration. The Board of Trustees may revise the budget and General Assessment from time to time and may retroactively budget and assess for any expenses incurred or shortfalls experienced by the Assembly. The Assembly may also levy Specific Area Assessments against the lots for costs of benefits or services which the Assembly might provide only within a specified area of the subdivision. The Assembly may also



levy assessments against the lot of an owner or resident who violates provisions of the Assembly Declaration or other governing documents.

The Assembly is responsible for management, operation and maintenance of the common properties; administering and enforcing the Assembly Declaration, the architectural standards known as the I'On Code, and the I'On Rules; making and amending the I'On Rules in accordance with the Assembly Declaration, and making or contracting for repairs, additions, and improvements to the common properties. It is also authorized, but not obligated, to contract for or provide services and facilities for the benefit of property owners and their lots, which might include such things as cable television service, security services, and landscape maintenance services, among other things.

In order to carry out these functions, the Assembly is authorized to adopt budgets and levy assessments against the property owners and their lots; open bank accounts, deposit funds received on behalf of the Assembly into such accounts, and use such funds to operate the Assembly; contract for insurance coverage for the Assembly; hire, compensate and fire personnel; purchase equipment, supplies and materials to be used by such personnel; and take specific enforcement action, including assessing monetary fines, suspending the right to vote and to use common properties; suspending services, exercising self-help, and bringing suit in court to enforce the governing documents. The Assembly has a duty to maintain books and records and to make them available to the members and their mortgagees.

Architectural control over the lots in the subdivision is exercised by the I'On Design Committee. We will appoint the members of the Design Committee as long as we own any property planned for inclusion in the subdivision. Thereafter, the Assembly's Board of Trustees will appoint the members of the Design Committee. The Assembly is authorized to enforce the architectural control provisions of the Assembly Declaration and the decisions of the I'On Design Committee.

There are no functions or services which we currently provide at no charge for which the Assembly may be required to assume responsibility in the future.

We believe the current level of assessments will be adequate, with appropriate adjustments for inflation and increases in the cost of living, for the Assembly to meet its present and planned financial obligations, including operating costs, maintenance and repair costs, and reserves for replacements. If the current level of assessments is not adequate to meet those obligations, it may be necessary for the Assembly to increase the assessments to be paid by property owners.

I'On Square Association, Inc. ("Association") is or will be the property owners association for the lots described as Commercial Lots in the listing of lots on page 33 of this Property Report. We will incorporate the Association as a South Carolina nonprofit corporation before we transfer title to any Commercial Lot.

We will have the right to appoint a majority of the members of the Association's board of

directors until we have conveyed 75% of the total acreage of the property described in Exhibits "A" and "B" to the Commercial Declaration to persons other than our affiliates, or 20 years after the date on which the Declaration is recorded in the public records, whichever is earlier.

There are two classes of membership in the Association: Class A and Class B. All owners of Commercial Lots are Class A Members. We are the only Class B Member. Actions which require a vote of the membership generally require approval of a specified percentage of the Class A votes and our consent, as long as our Class B Membership exists. In addition, as long as the Class B membership exists, we have the specific right to disapprove any action, policy or program of the Assembly, the Board of Directors or any committee which we believe would tend to impair our rights or the rights of developers under the Commercial Declaration or the Association's bylaws, or interfere with development or construction, or diminish the level of services being provided by the Association. The Class B membership will terminate two years after expiration of our right to control the board of directors.

Membership in the Association is mandatory for all owners of Commercial Lots. Each owner of a Commercial Lot is obligated to pay assessments to the Association for a share of the common expenses of the Association, calculated in accordance with a formula set forth on Exhibit D to the Commercial Declaration. Assessments will vary from lot to lot based on the "Maximum Floor Area" allocated to the lot pursuant to the Commercial Declaration. Base Assessments for general common expenses are currently projected to be in the range of fifty cents (50¢) per square foot of Maximum Floor Area allocated to the lot, but are subject to increase by the board of directors from time to time in accordance with the procedures set forth in the Commercial Declaration. The Association may also levy special assessments to cover unbudgeted expenses, as well as specific assessments against the lot of an owner or occupant who violates provisions of the Commercial Declaration or other governing documents.

The Association performs much the same functions and has substantially the same powers with respect to the property subject to the Commercial Declaration as the Assembly performs with respect to the property subject to its Declaration, as described above.

We will exercise architectural control over the Commercial Lots during the development period and then will transfer responsibility for architectural control to an architectural control committee appointed by the Association's board of directors.

There are no functions or services that we currently provide at no charge for which the Association may be required to assume responsibility in the future.

We believe the projected level of assessments will be adequate, with appropriate adjustments for inflation and increases in the cost of living, for the Association to meet its present and planned financial obligations, including operating costs, maintenance and repair costs, and reserves for replacements. If the current level of assessments is not adequate to meet those obligations, it may be necessary for the Assembly to increase the assessments to be paid by the owners of Commercial Lots.

## TAXES

You will be obligated to pay real property taxes on the lot after title to the lot is transferred to you. Real property taxes on the lot will be assessed by and paid to the Town of Mt. Pleasant and Charleston County, South Carolina. For the 2000 tax year, real property taxes on property in the subdivision are assessed at a rate of \$254.60 per \$1,000 in assessed value of each residential lot and all structures located on the lot. The assessed value of a residential lot is currently 4% of the appraised value if the owner is a resident of Charleston County and 6% of the appraised value if the owner is not a resident of Charleston County. The assessed value of a commercial lot is currently 6% of the appraised value.

There are currently no special taxes or tax assessments which affect the subdivision. The subdivision is not currently part of a special improvement district.

## RESALE OR EXCHANGE PROGRAM

Restrictions on the use of your lot have been discussed in the section of this Property Report entitled "Restrictions on the Use of Your Lot," above. Those restrictions which might hinder the lot owner in the resale of lots within the subdivision include the architectural approval and control provisions which limit or restrict the placement of signs within the subdivision and restrictions on use of Commercial Lots which may limit the number and types of resale buyers who would be interested in purchasing the lot.

Except in the case of certain exempt transfers, upon the transfer of title to a lot in the subdivision, the applicable Declaration requires the transferring owner to pay a transfer fee to the I'On Trust, a South Carolina nonprofit corporation. Such transfer fee is in the amount of one tenth of one percent (.1%) of the total cost to the purchaser of the lot and any improvements on the lot, as such cost is indicated by the amount of tax imposed by Charleston County, South Carolina on the transfer of title. You are advised to review the provisions of Article X of the Declaration regarding the transfer fee carefully before making a decision to purchase a lot.

We have no program to assist you in the resale of your lot. We do not have any provision to allow you to exchange one lot for another.

## EQUAL OPPORTUNITY IN LOT SALES

We are in compliance with Title VIII of the Civil Rights Act of 1968. We will not directly or indirectly discriminate against you on the basis of race, color, religion, sex, or national origin. Furthermore, we will not indicate a preference for or a rejection of any particular group in our advertising, in our rendering of services to lots, in requiring terms and conditions on lot sales and leases, or in any other manner.

## LISTING OF LOTS

Below is a listing of the three hundred and two (302) lots currently covered by this Property Report and intended for sale in the subdivision, as indicated on the referenced plats.

| TOWN  |  |
|---|--|
| PLAT REFERENCE  | LOTS NUMBERED  |
| Phase 1 (128 lots)                                    |  |
| Phase 1A (21 lots)                                    | Assembly Lots:<br>11, 14, 15, 16, 18, 25, 27, 28, 37,<br>42, 44, 47-49, 61, 62, 64, 66-69                                |
| Phase 1B1 (26 lots)                                   | Assembly Lots:<br>10, 137-145, 147-151, 154, 155,<br>Commercial Lots:<br>CM1, CM2, CM4, CM5, CM6,<br>CM7, CM8, CM9, CV-1 |
| Phase 1B2 (4 lots)                                    | Assembly Lots:<br>3, 7, 8, 9   |
| Phase 1C (29 lots)                                    | Assembly Lots:<br>50, 52-58, 70-81, 83-91  |
| Phase 1C2 (17 lots)                                   | Assembly Lots:<br>103, 110, 111, 112, 117, 120-129,<br>135, 136  |
| Phase 2 (109 lots)                                    |  |
| Subphases IIA-E (79 lots)                             | Assembly Lots:<br>190, 196-206, 211-222,<br>242-263, 265-276, 278-297, CV5   |
| Subphase IIB -future<br>development parcels (12 lots) | Assembly Lots:<br>Lots 191-194, 195A, 195B, 195C,<br>195D, 207-210   |
| Subphase IIF (18 lots)                                | Assembly Lots:<br>Lots 223-229, 231-241  |
| Phase 3 (33 lots)                                     | Assembly Lots:<br>156-188  |
| Phase 4 (63 lots)                                     | Assembly Lots:<br>301-314; 316-329; 331-363; CV-7  |

COST SHEET, SIGNATURE OF SENIOR EXECUTIVE OFFICER

In addition to the purchase price of your lot, there are other expenditures which must be made. Listed below are the major costs. There may be other fees for use of the recreational facilities. All costs are subject to change.

Sales Price

Cash Price of Lot .....\$ \_\_\_\_\_  
Finance Charge .....\$ \_\_\_\_\_  
  
Total .....\$ \_\_\_\_\_

Estimated One-Time Charges

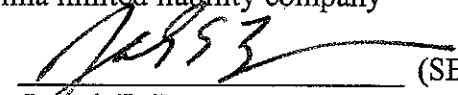
1. Water connection fee .....\$ 874.00  
2. Sewer connection fee .....\$1,340.00  
3. Electric connection fee.....\$ \_\_\_\_\_  
4. Telephone service installation charge.....\$ \_\_\_\_\_  
5. Design review fees.....\$ \_\_\_\_\_  
6. Other (identify) .....\$ \_\_\_\_\_  
  
Total of estimated sales price and one-time charges.....\$ \_\_\_\_\_

Estimated Monthly/Annual charge  
(exclusive of utility use fees)

1. Taxes -- Average unimproved lot after sale to purchaser .....\$ \_\_\_\_\_  
2. Dues and assessments .....\$ \_\_\_\_\_

The information contained in this Property Report is an accurate description of our subdivision and development plans.

The I'On Company, L.L.C., a South  
Carolina limited liability company

By:  (SEAL)  
Joseph E. Barnes  
Its: Manager

RECEIPT, AGENT CERTIFICATION, AND PURCHASER CANCELLATION PAGE

PURCHASER RECEIPT

*Important -- Read Carefully*

Name of Subdivision: I'ON SUBDIVISION  
OILSR Number: 0-07555-46

Date of Report: April 10, 2000

We must give you a copy of this Property Report and give you an opportunity to read it before you sign any contract or agreement. By signing this receipt, you acknowledge that you have received a copy of our Property Report.

Received by: \_\_\_\_\_ Date: \_\_\_\_\_  
Street Address: \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

If any representations are made to you which are contrary to those in the report, please notify:

Office of Interstate Land Sales Registration  
HUD Building, 451 Seventh Street, S.W.  
Washington, D.C. 20410

AGENT CERTIFICATION

I certify that I have made no representations to the person(s) receiving this Property Report which are contrary to the information contained in this Property Report.

Lot \_\_\_\_\_ Block \_\_\_\_\_ Section \_\_\_\_\_  
Name of Salesperson: \_\_\_\_\_  
Signature: \_\_\_\_\_ Date: \_\_\_\_\_

PURCHASER CANCELLATION

If you are entitled to cancel your purchase contract and wish to do so, you may cancel by personal notice or in writing. If you cancel in person or by telephone, it is recommended that you immediately confirm the cancellation by certified mail. You may use the form below:

Name of Subdivision: I'On  
Date of Contract: \_\_\_\_\_

This will confirm that I/we wish to cancel our purchase contract.

Purchaser(s) signature: \_\_\_\_\_ Date: \_\_\_\_\_

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