

PUBLIC OFFERING STATEMENT  
FOR



**PIER** 3  
CONDOMINIUM



**PIER**  

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CONDOMINIUM

3

PUBLIC OFFERING STATEMENT FOR  
PIER 3 CONDOMINIUM

EVERY PROSPECTIVE PURCHASER SHOULD READ THIS PUBLIC OFFERING  
STATEMENT CAREFULLY BEFORE SIGNING AN AGREEMENT OF SALE

NAME OF CONDOMINIUM: Pier 3 Condominium

PRINCIPAL ADDRESS OF CONDOMINIUM: Pier 3  
31 N. Columbus Blvd.  
Philadelphia, PA 19106  
(215) 351-4003

NAME OF DECLARANT: First Equitable Realty Limited  
Partnership, a Pennsylvania  
limited partnership (the  
"Declarant")

PRINCIPAL ADDRESS OF DECLARANT: 31 N. Columbus Blvd.  
Philadelphia, PA 19106

EFFECTIVE DATE OF PUBLIC  
OFFERING STATEMENT: April 8, 1994

**IMPORTANT NOTICE:**

(The following statements are made in compliance with the requirements of Section 3402(a)(12) of the Pennsylvania Uniform Condominium Act, as amended [the "Act"]).

- A. WITHIN FIFTEEN (15) DAYS AFTER RECEIPT OF A PUBLIC OFFERING STATEMENT, OR AN AMENDMENT TO THE PUBLIC OFFERING STATEMENT THAT MATERIALLY AND ADVERSELY AFFECTS THE RIGHTS OR OBLIGATIONS OF THE PURCHASER, THE PURCHASER MAY CANCEL, BEFORE CONVEYANCE, ANY CONTRACT FOR PURCHASE OF A UNIT AND OBTAIN A FULL REFUND OF ANY SUMS DEPOSITED IN CONNECTION WITH THE CONTRACT. IF THE PURCHASER ELECTS TO CANCEL THE CONTRACT FOR THE PURCHASE OF A UNIT PURSUANT TO THE IMMEDIATELY PRECEDING SENTENCE, HE OR SHE MAY DO SO BY HAND DELIVERING NOTICE OF CANCELLATION TO THE DECLARANT (IN WHICH CASE A RECEIPT SHOULD BE OBTAINED) OR BY MAILING THE NOTICE BY POSTAGE PREPAID UNITED STATES CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED. THE CANCELLATION OF THE PURCHASE CONTRACT IS WITHOUT PENALTY AND ALL PAYMENTS MADE BY THE PURCHASER BEFORE THE CANCELLATION WILL BE REFUNDED PROMPTLY BY THE DECLARANT.

- B. IF THE DECLARANT FAILS TO PROVIDE A PUBLIC OFFERING STATEMENT (AND ANY AMENDMENTS THERETO) TO A PURCHASER BEFORE CONVEYING A UNIT, THAT PURCHASER MAY RECOVER FROM THE DECLARANT, IN ADDITION TO ANY OTHER RELIEF, DAMAGES AS PROVIDED IN SECTION 3406(c) OF THE ACT, CONSISTING OF AN AMOUNT EQUAL TO 5% OF THE SALE PRICE OF THE UNIT UP TO THE MAXIMUM OF \$2,000.00, OR ACTUAL DAMAGES, WHICHEVER IS THE GREATER AMOUNT; PROVIDED, HOWEVER, THAT A MINOR OMISSION OR ERROR IN THE PUBLIC OFFERING STATEMENT (OR IN AN AMENDMENT THERETO) THAT IS NOT WILLFUL SHALL ENTITLE THE PURCHASER TO RECOVER ONLY ACTUAL DAMAGES, IF ANY.**
- C. IF A PURCHASER RECEIVES THE PUBLIC OFFERING STATEMENT (AND ALL AMENDMENTS THERETO) MORE THAN FIFTEEN (15) DAYS BEFORE SIGNING THE CONTRACT OF SALE, THE PURCHASER CANNOT CANCEL THE CONTRACT, EXCEPT THAT A PURCHASER SHALL HAVE THE RIGHT TO CANCEL THE CONTRACT BEFORE CONVEYANCE WITHIN FIFTEEN (15) DAYS AFTER RECEIPT OF ANY AMENDMENT THAT WOULD HAVE A MATERIAL AND ADVERSE EFFECT ON THE RIGHTS OR OBLIGATIONS OF THE PURCHASER.**

**NARRATIVE PORTION OF THE  
PUBLIC OFFERING STATEMENT FOR  
PIER 3 CONDOMINIUM**

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## NARRATIVE

### CONTENTS OF THIS PUBLIC OFFERING STATEMENT

This Public Offering Statement ("Public Offering Statement") pertains to the sale of units (the "Units") within the leasehold condominium known as Pier 3 Condominium (the "Condominium"). The Condominium contains approximately 172 multi-level units (the "Units") which are designated for residential use (one of which Units may also be used as a restaurant), a ground level parking garage, miscellaneous recreational facilities, and mechanical and storage rooms and spaces.

This Public Offering Statement consists of nine separate parts. This first part, entitled "Narrative," summarizes the significant features of the Condominium and presents certain additional information of interest to prospective purchasers of the Units. The other eight parts contain, respectively, the current versions of the following documents (sometimes called the "Public Offering Documents"): the Declaration of Condominium and all amendments thereto (with the "Plats and Plans" and any revisions thereto) for the Condominium (the "Declaration"); the Bylaws (the "Bylaws") of Pier 3 Condominium Association (the "Association"); the Community Rules and Regulations for the Condominium (the "Rules and Regulations"); the proposed Management Agreement for the Condominium (the "Management Agreement"); the form of Agreement of Sale for individual Units (the "Agreement of Sale"); a pro-forma Title Report and a pro-forma instrument of conveyance (hereinafter defined as the "Deed") for the individual Units (collectively, the "Pro-Forma Title Documents"); the projected Budget for the first year of operation of the Condominium (the "Budget"); and the Engineering Report (the "Engineering Report") which describes the condition of the structure and operating systems of the building comprising the Units and Common Elements (the "Building"). This Narrative is intended to provide only an introduction to the Condominium and is not a complete or detailed discussion. Consequently, the other parts of this Public Offering Statement should be reviewed in depth, and if there is any inconsistency between information in this part of the Public Offering Statement and information in any other parts, the other parts will govern. All of the Declarant's salespersons and other representatives are prohibited from orally changing any of the terms and conditions of the aforementioned documents or, with the exception of the Declarant's attorneys, attempting to interpret their legal effect.

All capitalized terms used in this Public Offering Statement and not expressly defined herein will have the same meanings as are ascribed to those terms in the Act, the Declaration or the Bylaws.

No consent or approval from or by any Purchaser who has executed a purchase agreement (which agreement shall be in the form of an Agreement of Sale for purchasers of Units) or any prospective lender to such Purchaser shall be required in order to amend any or all of the Public Offering Documents prior to settlement under the purchase agreement except as expressly provided herein or therein. If any such amendment materially and adversely affects a Purchaser's rights pursuant to the purchase agreement executed by such Purchaser, then the Purchaser shall have the right to cancel the purchase agreement at any time within fifteen (15) days after the Purchaser receives notice of the amendment.

### THE CONDOMINIUM CONCEPT

The term "condominium" refers to a form of property ownership which, in effect, combines two older forms of ownership. A condominium Unit Owner is, at the same time, both the sole owner of the portion of a building which encloses his or her separate space (the "Unit") and one of many mutual owners (in legal terms, "tenants in common") of common areas (called "Common Elements") which service his or her separate space and which a Unit Owner may use and enjoy along with some or all Owners of other Units. Common Elements that may be used by one or more Owners and occupants of specified Units, but not by the Owners or occupants of all Units in the Condominium, are called "Limited Common Elements." If a condominium is subject to a lease, the expiration or termination of which will terminate the condominium (i.e., a "Condominium Lease"), then the condominium is a "leasehold condominium," and a Unit Owner's ownership interest in the Unit and the Common Elements is essentially a leasehold interest which arises out of the Condominium Lease.

The Condominium consists of a four story building (the "Building") and other improvements located on Pier 3, a pier extending east over the bed of the Delaware River, in center city Philadelphia. The premises upon which the Building is situate is leased to the Declarant pursuant to a Condominium Lease, thus making the Condominium a leasehold condominium. The Condominium Lease is scheduled to expire on November 30, 2083, subject to renewal for an additional period of 99 years (pursuant to House Bill No. 53, passed by the Pennsylvania Legislature and signed into law on December 20, 1989 as Act 76) but only if the Association elects to so renew pursuant

to the procedure set forth in the Condominium Lease. In a leasehold condominium, the purchaser of a Unit becomes the owner of a leasehold interest in his or her Unit that ends at the same time that the term of the Condominium Lease ends. Whenever the term "ownership" or "Owner" is used in this Public Offering Statement, it means ownership of the aforementioned leasehold interest.

The Units are located on all or portions of all floors of the Building. The Common Elements are all portions of the Building and grounds which are not included within the various Units. The Common Elements include (but are not limited to) the parking garage located on the first floor of the Building (the "Garage"), the swimming pool and exercise facilities located on the first floor of the Building (the "Health Facilities"), common walkways, stairwells, elevators, exterior walls, roofs and structural elements of the Building, common utility systems, a common courtyard and certain easement rights. Additionally, there are Limited Common Elements which only serve particular Units to which they are appurtenant (e.g., patio areas, terrace areas and/or balcony areas, doors between Units and common walkways, and parking spaces in the Garage which are allocated to designated Units as Limited Common Elements).

Each individual Unit Owner owns with his or her Unit a specified undivided interest in the Common Elements (the "Percentage Interest"), usually expressed in the form of a percentage or decimal. This means that all Unit Owners share in the ownership of all Common Elements. It is this coupling of exclusive ownership of a Unit with the shared ownership of the Common Elements which distinguishes condominium ownership from other forms of property ownership.

The ownership of a Percentage Interest gives each Unit Owner the right, subject to the terms of the Act, the Declaration, the Bylaws and the Plats and Plans, to use and participate in the control of the Common Elements (through membership in the Association) in common with the other Unit Owners, and also imposes upon each Unit Owner the obligation to pay a percentage of the expenses of operating and maintaining the Common Elements other than the Limited Common Elements (called "General Common Expenses") equal to his Percentage Interest multiplied by the aggregate amount of these General Common Expenses. At Pier 3 Condominium, the obligation of bearing the cost of operating and maintaining the Limited Common Elements will also be shared in most instances by all Unit Owners in accordance with their respective Percentage Interests. These expenses are called "Limited Expenses." The amounts of the General Common Expenses and recurring Limited Expenses (referred to in the aggregate as "Common Expenses") are determined in the annual Budget established by the Executive Board of the Association, and are subject to the rights of the Unit Owners to reject any such Budget pursuant to procedures set forth in the Act, the Declaration and the Bylaws.

#### THE DECLARANT

The Declarant is First Equitable Realty Limited Partnership, a Pennsylvania limited partnership formed as of December 22, 1994. The current general partner of First Equitable Realty Limited Partnership is First Equitable Realty, Inc., a Pennsylvania corporation.

#### GENERAL DESCRIPTION OF THE CONDOMINIUM

The Building contains approximately 172 multi-level units (the "Units") which are designated for residential use (one of which Units may also be used as a restaurant and for kitchen, dining room, storage area, service bar, or other associated uses); a ground level parking garage containing a block of parking spaces which may be allocated as Limited Common Elements to the Units for their exclusive use; miscellaneous Health Facilities, including a swimming pool and exercise room; and various mechanical and storage rooms and spaces all situate on a pier in the Delaware River, known as Pier 3, in the Penn's Landing area of the City and County of Philadelphia, Pennsylvania.

In accordance with the provisions of the Declaration, the parking spaces in the Garage may be assigned by the Declarant (and, after Declarant no longer owns a Unit in the Condominium, by the Association) to specified Units as Limited Common Elements. A fee may be charged by the Declarant or the Association in consideration for such assignment. Unless a parking space has been assigned to a Unit as a Limited Common Element, no assurances can be made that there will be parking available in the Garage for occupants of particular Units or their guests.

In addition to the Garage and the Units surrounding the Garage, various equipment rooms and trash rooms are located on the first level of the Building. The Units on the second, third and fourth surround an interior open air courtyard (the "Plaza Area") located on the first floor of the Building (as shown on the Plats and Plans), which is decorated with various planters and is one of the Condominium's Common Elements.



The Condominium is accessed from the east side of Columbus Boulevard, just north of Market Street, through easements across the headhouse which abuts Pier 3 (the "Headhouse"). The Headhouse is not part of the Condominium and is not owned by Declarant or anyone affiliated with Declarant. The Headhouse also abuts another pier, Pier 5.

The Building is of Type 2B construction (fireproof) with primarily structural steel components and was certified as being substantially completed by Certificate dated September 3, 1986, a copy of which was recorded with the declaration filed in 1986. A statement of occupancy has been issued with respect to the Building, and copies thereof are available for inspection in Declarant's sales office.

The General Contractor was Turner Construction Company. The Building was designed by the architectural firm of Alesker, Reiff & Dundon, Inc.

The Declarant has no knowledge of any currently outstanding notices of uncured violations in the Philadelphia Building Code or other municipal requirements governing the Condominium.

As of the date of this Public Offering Statement, no Units have been sold. While it is expected that one hundred seventy-two (172) Units will be offered for sale, these numbers could decrease if two (2) or more of the currently contemplated Units are combined into a single Unit, or these numbers could increase if Declarant elects to subdivide one (1) or more of the currently contemplated Units into smaller Units. No Unit may be divided or subdivided by any Unit Owner other than Declarant without the prior written consent of the Executive Board. Subject to the Condominium Lease, the maximum number of additional Units which may be created as aforesaid is 172. Additionally, Declarant reserves the right to rent or market blocks of Units to investors.

Since the completion of the Building in 1986, all of the Units owned by the Declarant have been finished and occupied at one time or another by third parties pursuant to lease agreements by and between such third parties and the Declarant or its predecessor in interest. For purposes of this Public Offering Statement, Units are finished and in such condition as will support the issuance of the architect's or engineer's certificate required by Section 3201(c) of the Act before such Unit may be conveyed by Declarant. Prospective Purchasers must purchase such Units in their "as is" condition, subject to Declarant's warranty obligations under the Act. In addition, all of the Common Elements necessary for the use and enjoyment of the Units have been finished.

The Unit Owners are required to employ a manager (pursuant to the Management Agreement as summarized hereinafter in this Narrative) to manage the Condominium. Such payments are a part of the Unit Owners' General Common Expenses. The first manager is Scully Company. The manager's duties will include (but are not limited to) preparing the Association's Budget, billing and collecting assessments for General Common Expenses and Limited Expenses, and maintaining the Common Elements and Limited Common Elements in a first class manner.

Unit Owners are also required to pay (as part of their Common Expenses) the cost of certain services which the Unit Owners will automatically receive, such as a 24-hour front desk person/concierge and an electronic security system. (See the portion of this Public Offering Statement entitled the "Budget" for an estimate of the cost of such services for the current year of operation of the Condominium). Additionally, as part of his or her Common Expenses, each Unit Owner is required to pay certain costs, which the Association shares with the owner of the Headhouse, to clean, maintain and staff certain lobby areas in the Headhouse, the use of which is shared with the Headhouse by the Association, to maintain the shared elevators in the Headhouse, and certain shared utility costs. Such costs are payable in accordance with an "Allocated Headhouse Cost Agreement" dated April 29, 1991 by and between Declarant's predecessor in interest and the then owner of the Headhouse.

Electricity for Unit lighting and power (including heating, ventilating and air conditioning of the Units, and heating the domestic water supply to the Units) will be individually metered and billed to each Unit Owner in accordance with actual consumption. Electricity for Common Element lighting and power (which includes, without limitation, electricity for overhead lighting of the Garage and lighting the Plaza Area) will not be individually metered and will be billed to Unit Owners as part of the General Common Expenses. All other utility services (including potable water and sanitary sewer service, sprinkler/fire extinguishing system and smoke detector service, and trash removal service) will not be individually metered and will be billed to Unit Owners as part of their General Common Expenses, except that individual telephone service, cable or pay television service (if available) and the like may be privately contracted for by each Unit Owner, in which event the charges therefor will be billed directly to such Unit Owner.

By reason of the Units being individually metered for electricity, the charge to each Unit Owner for electrical service to his or her Unit should not be significantly affected by the level of use of electricity by Owners or occupants of other Units. It should be noted that the Declaration reserves to the Association the right (if permitted under law) to charge the Unit Owners in excess of the bulk rate charged to the Association, to help defray the costs of having the submeters read and preparing and forwarding the bills to the individual Unit Owners.

The Declarant has assumed a lease of certain space in the Headhouse for use as a sales office, and later for use by the Association as its offices (the "Community Room Sublease"). A copy of the Community Room Sublease is available for inspection at the sales office. Declarant intends to assign its rights and obligations under the lease to the Association, which shall assume Declarant's obligations thereunder. Rent and other expenses incurred by the Association under the lease will be paid by the Unit Owners as part of General Common Expenses.

#### SURROUNDING AREA

The Condominium is located on Pier 3, which extends eastward from Delaware Avenue approximately 500 feet over the bed of the Delaware River, in the Penn's Landing section of Philadelphia. The Penn's Landing area is part of a riverfront community which contains restaurants, marinas, shopping and other entertainment and recreational facilities.

The Penn's Landing area is on the eastern edge of center city Philadelphia, which is the hub of Philadelphia's business and retail community. The eastern portion of center city Philadelphia contains numerous cultural, historical and institutional facilities, including Pennsylvania Hospital, Jefferson Medical College, The Forrest Theater, and the Society Hill, Olde City and Independence Square sections of Philadelphia.

Transportation to and from the Condominium is available by taxi, private auto, or nearby bus or subway. The airport is 20 minutes away by car. Market East Station, part of Philadelphia's commuter rail network, is a short public transit, cab or car ride from the Condominium. From Market East Station, trains leave on a regular basis for Philadelphia's International Airport, the Philadelphia suburbs, and South Jersey. In addition, Amtrak's Northeast Corridor Service from 30th Street Station is a short public transit, cab or car ride from the Condominium.

#### SUMMARY OF PRINCIPAL CONDOMINIUM DOCUMENTS AND CERTAIN CONTRACTS AND LEASES

A number of documents will create and govern the operation of the Condominium. These documents (collectively referred to as the "Condominium Documents") include the Declaration, the Bylaws, the Rules and Regulations, the Agreement of Sale and various contracts and agreements which affect portions of the Condominium and/or its day-to-day operations. The following is a summary of the principal relevant Condominium Documents:

##### Declaration

The Condominium was originally created by the recordation in the Philadelphia Department of Records by Penn's Landing Associates - I, L.P., the prior owner of Pier 3, of a Declaration of Condominium of Pier 3 Condominium dated as of August 1, 1986. Prior to the first Unit Sale, Declarant intends to record an Amended and Restated Declaration of Condominium of Pier 3 Condominium, which is the "Declaration" referred to in this Narrative, and which is set out in full in the portion of the Public Offering Statement entitled "Declaration of Condominium." The Declaration as incorporated in this Public Offering Statement, supersedes in its entirety the declaration filed in 1986.

Article II of the Declaration provides a glossary of certain terms used in the Condominium Documents. The provisions of Article II also incorporate the provisions of the Act and provide that the Act's provisions apply to the operation and governance of the Condominium except (where permitted by the Act) to the extent that contrary provisions are found in the Condominium Documents.

Article III of the Declaration describes certain principal terms and conditions of the Condominium Lease, the termination or expiration of which will terminate the Condominium. The Condominium Lease is scheduled to expire on November 30, 2083, subject to renewal for an additional period of ninety-nine (99) years if the Association elects to so renew. The Declaration is subject to all of the terms and conditions of the Condominium Lease. (For a more complete discussion of the Condominium Lease, see the summary of the Condominium Lease contained in this Narrative.)

Articles IV and V of the Declaration describe the boundaries of the Units, the Limited Common Elements and the Common Elements in the Condominium. Unit boundaries (the "Unit title lines") generally run along the Unit-side surfaces of the concrete slab constituting the floor, and the drywall forming all ceilings, Perimeter Walls and Party Walls, subject to certain exceptions as detailed in Article IV of the Declaration. The Unit title lines also run along the Unit-side surfaces of doors, window frames, and the window sills and hardware in Perimeter Walls, and the exterior surface of the panes of windows located in Perimeter Walls and sliding glass doors. The significance of the Unit title lines is that all portions of the Unit contained within these lines (other than certain Common Elements running through Units, such as structural columns) are owned by the Unit Owner and the Unit Owner has sole responsibility for the care, maintenance and replacement of these areas and items.

Certain portions of the Building are designated as Limited Common Elements in the Declaration and the Plats and Plans. Limited Common Elements consist of the portions of the Building which serve fewer than all of the Units in the Building and which generally are not contained within the Units, including, without limitation, any assigned parking spaces, and the Patio Areas, Balcony Areas and Terrace Areas. Other Limited Common Elements serving only the adjacent Unit include, without limitation, window or door screens (if any), window and door sills, frames and hardware, bathroom and kitchen ventilation ducts, and any storage spaces or rooms which may be assigned to individual Units by Declarant or the Association as Limited Common Elements.

All portions of the Building which are not contained within a Unit and which are not designated as Limited Common Elements are deemed to be General Common Elements, whether or not expressly identified as such in the Declaration. General Common Elements and (in most instances) Limited Common Elements are maintained by the Association on behalf of all Unit Owners (one significant exception being the wooden floor slats on any Patio Area, Balcony Area or Terrace Area, the maintenance responsibility for which lies solely with the Owner of the Unit adjacent thereto). The cost of maintenance of the General Common Elements and Limited Common Elements (as estimated in the Budget of the Association, and except for the above-referenced floor slats) is allocated to the individual Units in accordance with their Percentage Interests as listed in Exhibit "E" to the Declaration. (See the portion of this Public Offering Statement labelled "Projected Operating Budget for Current Year" for the Declarant's estimate of the current monthly Common Expenses for each Unit.) The Percentage Interest for each Unit is computed based upon the approximate square footage of such Unit, except for Unit RL 101, the Percentage Interest for which has been discounted due to its proximity to certain commercial areas of the Headhouse and to the Garage.

Article VI of the Declaration provides for the allocation of Common Expenses and the voting rights of Unit Owners. Section 6.3 requires the Association to establish a reserve fund to cover periodic replacement of the Common Elements. (See the portion of this Narrative entitled "Present Condition of all Structural Components and Major Utility Installations" for a discussion about how the amount of this reserve has been established.) Such reserve fund will be funded by monthly payments as part of the General Common Expenses.

Monthly assessments will commence for all Unit Owners in the month in which the first conveyance of a Unit to a third party (i.e., to a party other than Declarant or any successor or affiliate of Declarant) occurs. Section 6.4 requires each Unit Purchaser, upon the initial transfer of title from the Declarant to such Purchaser, to pay to the Association an amount equal to two (2) months' estimated Common Expense liability for the Unit being purchased (as established in the initial Budget of the Association) in order to establish a working capital fund for the Association.

Article VII of the Declaration imposes various restrictions on the use of the Units and various other portions of the Condominium. The Units in the Condominium are generally restricted to residential use, with the exception of Unit RL101, which may also be utilized as a restaurant, including kitchen, dining, storage, service bar and other associated uses. Unit Owners are barred from conducting any activity which unreasonably interferes with the quiet enjoyment of any other Units. The Rules and Regulations (a copy of which is included in this Public Offering Statement) limits pets to one cat or dog which does not exceed 25 pounds in weight and which must be hand-carried while on the Common Elements of the Premises. (For more information regarding other restrictions addressed in Section 7.1, see the portion of this Narrative entitled "Restrictions on Transferability or Use of Units.")

Section 7.3 of the Declaration provides for the assignment of parking spaces to Units as Limited Common Elements. Once assigned, a parking space cannot be assigned or transferred except to a successor Owner of such Unit or to an Owner of another Unit. Section 7.4 provides for the assignment of storage rooms or spaces as Limited Common Elements. The Declarant, so long as it owns a Unit, has the right to make assignments of parking spaces and/or storage areas, and may charge a fee for doing so. After Declarant no longer owns a Unit, the Association may make assignments of any previously unassigned parking spaces or storage areas, and may charge a fee for doing so.

Section 7.5 of the Declaration imposes certain restrictions on the use of the Patio Areas, Balcony Areas and Terrace Areas.

Section 7.7 of the Declaration provides for the use of the Health Facilities by Unit Owners, and allows the Association to permit the use of such facilities by non-residents of the Condominium as well. The Association is given the right to impose user fees on Unit Owners and their tenants, and on non-residents, for use of the Health Facilities.

In addition to those provisions contained within the Declaration dealing with the use of individual Units and the Limited Common Elements, Rules and Regulations (that are consistent with the Declaration) may be promulgated by the Executive Board of the Association. The Rules and Regulations that have been prepared as of the effective date of this Public Offering Statement are summarized later in this Narrative.

Article VIII of the Declaration provides that an interest in a Unit shall be transferred pursuant to an appropriate instrument of conveyance, which instrument shall set forth certain identifying information with respect to such Unit and the Condominium. The transferee is required by the Condominium Lease to notify the lessor under the Condominium Lease of such transfer and to be bound by all of the covenants and provisions contained in the Condominium Lease.

Article IX, Section 9.1, of the Declaration lists various easements to which the Condominium or certain portions of the Condominium are subject. (For more information regarding these easements, see the portion of this Narrative entitled "Encumbrances Upon Title.") Section 9.2 reserves to the Declarant the right to appoint and remove three members of the Executive Board prior to the date which is one hundred twenty (120) days after seventy-five percent (75%) of the Units in the Condominium have been conveyed or three (3) years subsequent to the first Unit conveyance, whichever occurs first. Section 9.3 sets forth the Declarant's right to maintain models, signs and sales offices on the Premises. Section 9.4 sets forth the right of the Association to enter each Unit to make emergency repairs and do other necessary maintenance work; to grant certain permits, licenses and easements over the Common Elements; to sublease that portion of the Headhouse which is subject to the Community Room Sublease to the Declarant or Unit Owners; and, to exercise certain rights of Declarant pursuant to the Condominium Lease (including the option to extend the term of the Condominium Lease). Section 9.6 provides that the Association assumes the Declarant's obligations with respect to certain easements contained in Paragraph 33 of the Condominium Lease, the costs of performing such obligations to be assessed to the Unit Owners as General Common Expenses.

Article X of the Declaration deals with the rights of lenders who provide mortgage financing to Unit Purchasers and imposes various restrictions on such rights. Section 10.1 lists the types of Permitted Mortgage loans on Units in the Condominium. These include: (i) a first Mortgage to a bank, trust company, bank and trust company, savings bank, savings and loan association, mortgage service company, insurance company, pension fund, real estate investment trust or similar lending institution; (ii) a purchase money mortgage to the Unit Owner from whom the mortgagor received his or her ownership interest in the Unit so encumbered; (iii) a mortgage lien which is junior to a mortgage of the type described in clauses (i) and (ii) immediately preceding, provided that the Executive Board has granted its written approval of such encumbrance; or (iv) any other mortgage. A holder of a mortgage not described in clauses (i), (ii) or (iii) above is not entitled, among other things, to: (i) approve or consent to certain actions of the Executive Board; or (ii) approve the abandonment of the condominium status of the Premises or a change in the Percentage Interests allocated to each Unit.

In addition, the provisions of Article X grant to the holder of any Permitted Mortgage on a Unit and any insurer or guarantor of such mortgage the right to receive notice upon the happening of certain events, and impose a requirement that the prior written approval of a certain majority of the holders of Permitted Mortgages be obtained for certain actions by the Association and/or certain amendments to the Condominium Documents.

Article XI of the Declaration outlines the types and amounts of insurance which the Association is required to obtain and the various provisions governing such insurance. (See the portion of this Narrative entitled "Condominium Insurance.") Article XI also requires the Unit Owners to carry such types of insurance on their Units or portions of their Units as the Executive Board may reasonably require.

Article XII of the Declaration provides for a limitation on the liability of members of the Executive Board and the officers and employees of the Association, and provides for the indemnification of the members of the Executive Board, as well as officers of the Association, against all expenses and liabilities which they may incur (absent their willful misconduct or gross negligence) in the performance of their duties. Section 12.2 allows officers and

members of the Executive Board to rely upon opinions and data provided by other Board members, officers, committees and providers of professional services whom the officer or Board member reasonably believes to be competent. Other sections of Article XII provide for the defense of claims brought against the Association, its Executive Board or officers, the Condominium, or all Unit Owners; the joint and several liability of a Unit Owner with any lessee of his or her Unit for all liabilities arising out of the ownership, occupancy, use, misuse or condition of such Unit or any portion of the Common Elements or Limited Common Elements; and, a disclaimer of ballee liability of the Association, the Executive Board, any Unit Owner or the Declarant for personal property stored on the Common Elements.

Article XIII of the Declaration provides that all present and future owners, lessees, occupants and mortgagees of Units in the Condominium are subject to all of the Condominium Documents. Article XIII also provides for the procedure to be followed if all or part of the Common Elements are condemned.

Article XIV of the Declaration addresses the powers of the Executive Board of the Association. The Executive Board has many of the same powers and functions as the board of directors of a corporation, including (but not limited to) all powers necessary or reasonable to carry out its duties pursuant to the Declaration. In addition, the Executive Board may impose fines against Unit Owners who violate provisions of the Condominium Documents.

The Executive Board will consist of five (5) members elected by Unit Owners at the Annual Meetings of the Association (except for the First Executive Board, which shall consist of three (3) members, all of whom will be appointed by the Declarant). A meeting of all Unit Owners other than the Declarant (the "First Election Meeting") will be held upon the earlier to occur of: (i) sixty (60) days after the conveyance of twenty-five percent (25%) of the Units to Unit Owners other than the Declarant or (ii) three (3) years after the date of the first conveyance of a Unit to a Person other than the Declarant. At the First Election Meeting, the Unit Owners other than Declarant will be entitled to elect two (2) additional members to the Executive Board. The three (3) members of the First Executive Board will serve until their successors are elected at a meeting (the "Second Election Meeting") to be held not later than the earlier to occur of: (i) one hundred twenty (120) days after the conveyance of seventy-five percent (75%) of the Units to Unit Owners other than the Declarant; or (ii) three (3) years after the date of the first conveyance of a Unit to a Person other than the Declarant. Consequently, the Declarant will designate all members of the Executive Board until the First Election Meeting and three (3) members (sufficient to control the Association) until the Second Election Meeting. Members of the Executive Board (other than the First Executive Board and the two members elected at the First Election Meeting) will serve for two (2) year terms, and will be elected by all Unit Owners, including Declarant.

Article XIV also provides that the Executive Board shall resolve any disputes between the Unit Owners and interpret any inconsistencies among the various Condominium Documents. Determinations by the Executive Board with respect to such disputes shall be final and binding, and the Executive Board may seek a declaratory judgment or other appropriate judicial relief to enforce such determinations.

Article XIV also provides the procedure to amend the Condominium Documents, and grants to the Executive Board and any aggrieved Unit Owner the power to abate and enjoin any violations of the Act or the Condominium Documents by Unit Owners, tenants of Unit Owners, the Association or the Executive Board.

Article XV of the Declaration requires the Association to employ a professional managing agent to oversee the daily operation of the Condominium. On or before the first sale by Declarant of a Unit in the Condominium to a third party, Scully Company will be named the manager pursuant to the Management Agreement later summarized in this Narrative.

Article XVI of the Declaration provides for the making of assessments by the Executive Board, describes the liability of Unit Owners to pay for all assessments for General Common Expenses and Limited Expenses allocated to their individual Units, and provides for the procedures to be followed to fix assessments and to collect assessments in the event that a Unit Owner fails to pay them. Among other things, Article XVI provides for the personal liability of a Unit Owner for unpaid assessments. Article XVI also recites the procedure for assessing electric consumption against individual Units, all of which are submetered by the Association.

#### Bylaws

The Bylaws are the rules for governance of the Condominium Association and serve the same purpose as the bylaws of a corporation. The full text of the current version of the Bylaws is contained in the portion of this Public Offering Statement entitled "Bylaws."

Article II of the Bylaws provides that all Unit Owners, for so long as they are the record owners of their Units, shall be members of the Association. The times, location, purpose and business to be conducted at meetings of the Association are established under procedures set forth in Article II, as well as the required notice, quorum and voting rights of the Unit Owners as members of the Association and the procedures to be followed in conducting meetings of the Association. The Bylaws require the Association to conduct meetings of the Association at least annually. At such meetings, various members of the Executive Board will be elected (except to the extent such members are appointed by the Declarant as previously discussed in this Narrative) and the members present will conduct such other business as may be required or permitted by law or the Condominium Documents.

Article III of the Bylaws sets forth the number of members of the Executive Board and the provisions governing the appointment and election of such members, and the meetings to be held by the Executive Board. Article III also describes the procedures to be followed in order to fill vacancies in the Executive Board in the event of the resignation or removal of Executive Board members, and enumerates the powers of the Executive Board. Article V of the Bylaws also establishes certain requirements governing the validity of contracts with affiliates of interested Executive Board members. Section 3.03 establishes requirements for the terms of any management contracts entered into by the Association (see the summary of the Management Agreement included later in this Narrative) and delineates those powers of the Executive Board which may be delegated to a managing agent.

Article IV of the Bylaws contains provisions governing the election of officers of the Association by the Executive Board and the duties of such officers. The Executive Board annually elects a President, Vice-President, Secretary, Treasurer and such other officers as the Executive Board may determine.

Article V of the Bylaws discusses the annual Budget of the Association and the factors to be considered in constructing such Budget. Such Budget is required to be adopted by the Executive Board on or before the fifteenth (15th) day of November of each year, and constitutes the basis for determining each Unit Owner's assessments for General Common Expenses and recurring Limited Expenses for the ensuing calendar year unless such Budget is rejected by a majority vote of the Unit Owners within thirty (30) days after the Executive Board adopts such Budget. In addition, Article V requires the Association to keep its books and records in accordance with generally accepted accounting principles, and requires that such books and records be audited at least once each year. Article V also requires the Executive Board to maintain reasonable reserves for working capital, operations, contingencies and replacements.

Article VI of the Bylaws provides that each Unit Owner shall be liable for the expense of all repairs rendered necessary by his or her acts or negligence (and the acts or negligence of his or her tenants and invitees), to the extent not covered by the Association's insurance policies.

Article VIII of the Bylaws sets forth the procedure for amending the Declaration and Bylaws. Generally speaking, these Condominium Documents may be amended by the vote of Unit Owners holding sixty-seven percent (67%) of the votes in the Association, subject to certain approval rights of the holders of Permitted Mortgages who represent at least fifty-one percent (51%) of the votes allocated to all Units in the Condominium that are subject to Permitted Mortgages.

#### Rules and Regulations

The Rules and Regulations, the full text of which (in its current version) is set out in the portion of this Public Offering Statement entitled "Rules and Regulations," are directed at all present and future Unit Owners, lessees, occupants and mortgagees of Units within the Condominium. The Rules and Regulations supplement those provisions in the Declaration which address the same subject matter.

Article II of the Rules and Regulations imposes a number of restrictions with respect to the use Common Elements and the Units, including (but not limited to) the following: (i) garbage, dirt and other items shall not be placed in the Common Elements; (ii) access to the roof of the Building is generally prohibited without the prior approval of the Executive Board; (iii) door-to-door solicitation is prohibited without the prior written permission of the Executive Board; (iv) alterations externally visible from outside the Building shall not be made to the Patio Areas, Balcony Areas or Terrace Areas without the prior written permission of the Executive Board; (v) occupants of the Units must prevent noises, vibrations and cooking or other odors from interfering with the rights, comfort and convenience of the other occupants of the Building; (vi) the exterior appearance of the Units and Limited Common Elements shall conform to the Building standards of integrity and appearance; (vii) no dangerous substances may be kept in any Unit; (viii) no major appliance may be installed or replaced in a Unit without the prior written authorization of the Executive

Board (which shall not be unreasonably withheld) in order to assure that the appliance will be compatible with the Building and its various utility systems; and (b) Unit Owners shall keep the interior portion of all windows within their Units in a clean condition.

Article III provides that Unit Owners and occupants shall not interfere with the operation of the elevators, and children under the age of 8 shall not be permitted on the elevators unless accompanied by an adult. In addition, Article III provides that all movement of furniture, goods or freight must be scheduled in advance with the Manager, and that move-ins and move-outs are only permitted between 9:00 a.m. and 5:00 p.m., Monday through Friday, and 9:00 a.m. to 1:00 p.m. on Saturday, excluding holidays.

Article IV provides that a Limited Common Element Parking Space may only be used to park a single motor vehicle (other than a bus, truck, trailer, boat, stretch car, or recreational or commercial vehicle), and that all Unit Owners shall observe and abide by all parking and traffic regulations of the Association.

Article V sets forth requirements with respect to the disposing of trash and other refuse.

Article VI describes the types of pets that may be kept in a Unit and the restrictions imposed upon the keeping of such pets. Generally, a Unit Owner who purchases a Unit directly from the Declarant, and who owns a dog or cat, may keep such dog or cat as long as the pet does not exceed twenty-five pounds in weight and is hand-carried on the Premises at all times. Other pets are only permitted in the Building with the prior written consent of the Executive Board, which consent can be withheld for any or no reason.

Article VII provides that no employee of the Association or the Manager shall be required to perform during the employee's working hours, at the request of an Owner or occupant of a Unit, any service not in the line of the duties prescribed for such employee by the Association and/or the Manager, unless the Manager shall have given its prior written approval thereof. If an employee performs such service at the request of a Unit Owner or occupant, neither the Manager nor the Association shall be responsible for any loss or damage that results therefrom.

Article VIII requires contractors performing work on a Unit or Limited Common Element to file a Certificate of Insurance with the Executive Board. Contractors may not do any work in or to any Unit or Limited Common Element on any Sunday or any legal holiday, after 1:00 p.m. on any Saturday, or between the hours of 6:00 p.m. and the following 8:00 a.m. on any other day.

Article IX provides that the Rules and Regulations may be supplemented and amended as provided in the Declaration. Article IX also addresses the Unit Owners' liability as a result of any violation of these Rules and Regulations.

Article X requires the Owner or occupant of each Unit to provide the Manager with all keys and security information needed to enable the Manager to gain access to the Unit. Such keys are only to be used by the Manager to make emergency repairs, to do other work reasonably necessary for the proper maintenance of the Building, to inspect the Units for insurance appraisal and other legitimate management purposes, and to enter a Unit at the request of an Owner or occupant of a Unit who has lost or forgotten his or her keys. In addition, an Owner or occupant of a Unit may provide the Manager with a second set of keys to be maintained in a "convenience key box," which keys can be loaned to an Owner or occupant of a Unit, or their guests or employees, if such loan is authorized in writing by such Owner or occupant.

#### Condominium Lease

The Premises on which the Condominium is situate is owned by the Commonwealth of Pennsylvania (the "Commonwealth"). The Commonwealth and the City of Philadelphia (the "City") entered into a Lease Agreement dated as of November 10, 1983, wherein the Commonwealth leased to the City the parcel of land within the bed of the Delaware River in the City of Philadelphia, Commonwealth of Pennsylvania, as described therein, which parcel includes the area occupied by Pier 3 (the "Parcel"). The City is the owner of the piers and other improvements located on the Parcel and of the riparian rights of, and the rights to develop the space over the Parcel. The City and the Redevelopment Authority of the City of Philadelphia (the "Authority") entered into a Lease Agreement dated as of November 9, 1984, wherein the City leased to the Authority the Parcel together with the improvements located thereon and the riparian rights of, and rights to develop the space over, the Parcel. The Parcel was leased by the Authority to Penn's Landing Corporation ("PLC") on November 9, 1984. PLC then entered into a Lease Agreement with Penn's Landing Associates-I, L.P. ("PLA-I") dated as of December 14, 1984, as amended by a First Amendment to Lease

Agreement dated as of April 26, 1991, which is the "Condominium Lease" referred to throughout this Narrative. The interest of PLA-I as lessee under the Condominium Lease was subsequently assigned at Sheriff's sale to Declarant pursuant to an assignment dated December 30, 1993. The Condominium Lease has again been amended pursuant to a Second Amendment to Lease Agreement between PLC and Declarant dated February 22, 1994. A true and correct copy of the Condominium Lease and the amendments thereto is available for inspection at the sales offices of Declarant at Pier 3.

The Condominium Lease (in Paragraph 31) contemplates that a leasehold condominium may be created on the Premises. When such a leasehold condominium is created, certain rights and obligations of Declarant, as lessee under the Condominium Lease, shall be transferred to the Unit Owners and the Condominium Association (acting on behalf of all the Unit Owners as their agent pursuant to the Act). (The Declarant and, when the Leasehold Condominium is created, the Unit Owners, are hereinafter sometimes referred to as the "Lessee.") For example, each Unit Owner shall be required to pay his or her share of rent and all other monetary obligations (e.g., real estate taxes and transfer taxes) due pursuant to the Condominium Lease. Each Unit Owner shall be bound by, and liable for, all covenants and provisions contained in the Condominium Lease, except for the obligation to initially construct the improvements (as hereinafter described). Additionally, each Unit Owner shall be protected pursuant to Section 3207 of the Act from termination by the Lessor by reason of any default by the Declarant or any other Unit Owner.

Further, certain obligations transferred from the Declarant, as lessee under the Condominium Lease, to the Unit Owners may be performed by the Condominium Association on behalf of and at the cost and expense of all the Unit Owners. For example, the Condominium Association may collect all rents and other monetary payments due from the Unit Owners, perform all non-monetary obligations of the Unit Owners pursuant to the Condominium Lease, exercise the option to extend the initial ninety-nine (99) year term of the Condominium Lease, and amend the Condominium Lease as provided therein.

For the first forty (40) years of the Initial Term of the Condominium Lease, the use of the Premises must be limited to residential apartments or condominium units, and uses ancillary thereto, unless the Lessor consents to a different use.

Paragraph 6 provides that the initial term of the Condominium Lease commenced on December 1, 1984 and will continue through November 30, 2083 (the "Initial Term"). The Lessee has the right to extend the term of the Condominium Lease for an additional period of ninety nine (99) years (the "Renewal Term"), subject to the enactment by the Commonwealth of certain legislation permitting such renewal. The appropriate legislation (House Bill 53) was passed by the Pennsylvania Legislature and signed into law on December 20, 1989 as Act 76. Accordingly, if the Lessee desires to renew, the Lessee must notify the Lessor of its intention to renew the term no later than twenty (20) years prior to the expiration of the Initial Term.

Under paragraph 7 of the Condominium Lease, the original Lessee was obligated to pay certain stipulated rents. This paragraph was amended in the First Amendment of the Condominium Lease, effective April 29, 1991, pursuant to which a stipulated amount of rent was established, and a proportionate share of such rent was payable upon the sale of each Condominium Unit (the "Condominium Unit Rent"). If the Condominium Unit Rent were not paid in full by April 29, 2006, the balance due was to be paid over a period of twenty-five (25) years, on a self-amortizing basis, at a stipulated interest rate (the "Supplemental Ground Rent"). Effective As of February \_\_, 1994, Declarant and the Lessor under the Condominium Lease have entered into a Second Amendment of the Condominium Lease, pursuant to which Declarant has agreed to pay, at a discount, the full Condominium Unit Rent and Supplemental Ground Rent on or before 180 days from the effective date of the Second Amendment. Accordingly, Declarant intends to pay all such rent within such period. To the extent that such rent has not been paid within 180 days, the obligation to pay rent reverts to that stipulated in the Second Amendment, and, in the event of such a reversion, and to the extent that all such rent were not paid out of Condominium Unit sales, there is a remote possibility that the Association would be responsible to pay the balance of such rents, which would be charged against Unit Owners as General Common Expenses.

Aside from the rents described above, and any Fair Market Value Rent payable upon renewal of the Condominium Lease, there is no other base rent payable under the Condominium Lease (although it should be noted that the Condominium Lease designates impositions against the Premises for items such as real estate taxes and water and sewer rents as "additional rents" which are the responsibility of the Lessee under the Condominium Lease).

If the Lessee (i.e., the Association) under the Condominium Lease exercises its right to renew the Condominium Lease for an additional ninety-nine (99) year term, then during the Renewal Term, rent for the Premises



shall be payable by the Association in quarterly, annual or other more frequent periodic payments in amounts equal to the "Fair Market Value Rent" for the Premises as of the date of commencement of the Renewal Term. The Fair Market Value Rent represents that sum which a willing tenant would pay to a willing landlord in an arms-length transaction for the lease of the Premises, as such sum is determined by the appraisal procedure set forth in Paragraph 7(b) of the Condominium Lease. Such rent would be charged against the Unit Owners as General Common Expenses.

Paragraph 8 provides that the Condominium Lease is a net lease, and accordingly, the Lessee shall pay and indemnify the Lessor against liability for all costs, expenses and obligations of any kind or nature whatsoever relating to the Premises during the term of the Condominium Lease, including, but not limited to, all taxes and assessments levied upon or assessed against the Lessor, the Premises or the Lessee's interest therein.

In contesting any taxes, assessments, laws or regulations with regard to the Premises, the Association, as lessee, may not raise as a defense the fact that legal title to the Premises is vested in a governmental entity or that the nature of the interest is a leasehold condominium rather than a fee simple condominium. In the event real estate taxes or transfer taxes are not payable with regard to the transfer or resale of interests in the Premises because of the interest of the City and/or Commonwealth, or because the condominium interests being conveyed are leasehold rather than fee simple condominium interests, then the Lessee must pay an amount equivalent to such real estate or transfer taxes to the applicable taxing authority.

Paragraph 11 of the Condominium Lease contains a broad indemnification by the Lessee in favor of the Lessor, the City and the Commonwealth for any liabilities, damages, costs, expenses, causes of action, suits, claims, demands or judgments of any nature in connection with the Premises, the Condominium and the Condominium Lease.

Paragraph 12 of the Condominium Lease obligates the Lessee to keep and maintain the Premises, including the Building and all other improvements, in good repair and condition at its sole cost and expense.

Paragraph 13 of the Condominium Lease permits the Lessee to make, at its sole cost and expense, additions to and alterations of the Building and the Premises; provided, that before the expiration of the fortieth (40th) year of the Initial Term of the Condominium Lease the prior consent of the Lessor is required for any additions or alterations which significantly change the exterior appearance of the affected improvement, change the use thereof, or which are not substantially in compliance with the Design Development Documents referred to in the Condominium Lease; and further provided, that any such additions or alterations shall not lessen the rental value of the Premises.

Paragraph 14 of the Condominium Lease requires the Lessee to maintain during the term of the Condominium Lease, at its sole cost and expense, certain insurance on the Premises, including multi-peril policies, comprehensive general liability coverage, and worker's compensation insurance. The comprehensive general liability insurance shall name the Lessor, the Lessee, the City, the Commonwealth and any leasehold mortgagee as insured parties, as their interests may appear. The multi-peril policies and the worker's compensation insurance shall name the Lessee as the insured party.

Any loss or claim under the insurance policies which does not exceed \$50,000.00 may be paid directly to the Lessee. All other claims are payable to an Insurance Trustee. Paragraph 14 further provides for a waiver of subrogation and provisions for notice to the Lessor in the event of cancellation or non-renewal of any such policy.

Paragraph 15 of the Condominium Lease provides that if the improvements on the Premises are substantially damaged or destroyed by fire or other casualty, the Lessee must promptly repair and restore the improvements. In the event that insurance proceeds are insufficient to complete such repair or restoration, the Lessee is required to utilize its own funds to complete such repair or restoration.

Paragraph 17 of the Condominium Lease prohibits the assignment or subleasing of the Premises or any part thereof without the prior written consent of Lessor. Excepted from such prohibition are assignments to leasehold mortgagees and to Purchasers of Condominium Units. Additionally, this Paragraph provides that upon completion of the construction of the improvements pursuant to the Condominium Lease, the Lessee may, without the prior consent of the Lessor, assign its interest in the Condominium Lease to any party whatsoever and/or sublet the entire or any part of the Premises to any party whatsoever.

Any person who becomes an assignee of the Condominium Lease (other than by holding a security interest) is bound by and liable with respect to all of the terms, conditions and covenants of the Condominium Lease, except that a Purchaser of a Condominium Unit had no obligation to construct the improvements on the Premises.

If the Lessee is not in default, the Lessee (including, without limitation, Purchasers of Condominium Units), and their respective assignees and subtenants, are permitted to mortgage or otherwise encumber their interests in the Condominium Lease and/or the Premises without the prior written consent of the Lessor.

Paragraph 18 of the Condominium Lease provides that in the event the entire Premises is condemned, the Condominium Lease will terminate and the condemnation award will be distributed first to the leasehold mortgagees, then to the Lessor in an amount equal to the fair market value of the Lessor's interest in the Premises considering the Premises as encumbered and subject to the terms and provisions of the Condominium Lease, and the balance to the Lessee. In the event that the condemnation affects less than all of the Premises, the proceeds shall first be made available to the Lessee or sublessees for restoration and thereafter shall be distributed in the same manner as the proceeds for a total condemnation.

Paragraph 19 of the Condominium Lease permits the Lessee (including, without limitation, Purchasers of Condominium Units) to mortgage their respective interests in the Premises without the prior consent of the Lessor. Any such mortgage is subject to the terms of the Condominium Lease.

So long as a leasehold mortgagee is an institutional lender or a holder of a first mortgage lien on a Condominium Unit and has complied with the notice provisions contained in Paragraph 19, it shall be entitled to the benefits of the non-disturbance provisions contained in Paragraph 19. Pursuant to those provisions, the Lessor shall give any leasehold mortgagee copies of notices of default under the Condominium Lease, and the leasehold mortgagee shall have the opportunity to cure any such default on behalf of the Lessee or sublessee, whichever is applicable. Paragraph 19 provides further protection to the leasehold mortgagees pursuant to which termination or foreclosure of the interest of the Lessee can be prevented.

Paragraphs 20 through 25 of the Condominium Lease deal with the rights of the parties in the event of a default by the Lessee. The events of default noted in paragraph 20 are: (i) failure to pay when due any sums required to be paid by Lessee where such failure continues for a period of ten (10) days following written notice thereof; (ii) failure to commence or complete construction of the Improvements in accordance with the terms of the Condominium Lease; (iii) failure to perform any other covenant, agreement or condition of the Condominium Lease, which failure continues for a period of thirty (30) days (fifteen (15) days if such default consists of the Lessee's failure to adhere to the insurance requirements of the Condominium Lease) after written notice from the Lessor to the Lessee. Any such failure that cannot be cured within such period may be cured if actions reasonably necessary to cure said default are initiated within said period and are diligently applied.

In the event of an uncured default, the Lessor shall have the right to re-enter and repossess the Premises, relet any portion thereof and to terminate the Condominium Lease, subject to the non-disturbance provisions in favor of leasehold mortgagees and Purchasers of Condominium Units. Paragraph 22 of the Condominium Lease contains a Power of Attorney to confess judgment in ejectment in order to permit the Lessor to recover possession of the Premises. With respect to Purchasers of Condominium Units, Paragraph 31 of the Condominium Lease provides that the leasehold interest of a Condominium Unit Owner cannot be terminated as a result of the default of the Declarant or any other Unit Owner.

In paragraph 26 of the Condominium Lease, the Lessee covenants and agrees that no one shall be deprived of the right to buy, lease or occupy a portion of the Premises by reason of race, sex, color, creed or national origin, and that no contractor or subcontractor engaged with regard to the construction of the Improvements shall discriminate or commit discrimination based upon race, sex, color, religion or national origin. The foregoing covenants shall be covenants running with the land binding the Lessee and all assignees, subtenants and contractors having an interest in the project.

Under paragraph 29 of the Condominium Lease, the Lessee agreed to expend a sum equal to one percent (1%) of the total dollar amount of the construction contracts for the Improvements on fine arts reasonably satisfactory to the Lessor. Such fine arts were provided in conjunction with the neighboring projects known as Pier 5 and the Headhouse.

Paragraph 31 of the Condominium Lease obligates the Lessor to execute and acknowledge the documentation needed to create a leasehold condominium on the Premises pursuant to the provisions of the Act. As previously discussed, Paragraph 31 protects the leasehold interest of any Condominium Unit Owner from being terminated as a result of the default of the Declarant or any other Unit Owner.

The Condominium Association is appointed agent for all Unit Owners to perform certain obligations and exercise certain options of the Lessee under the Condominium Lease. For example, the Condominium Association is authorized to collect monetary obligations of the Lessee from Unit Owners as well as to perform non-monetary obligations of Lessee under the Condominium Lease. It is further provided that the Lessor shall give copies of certain notices and communications to the Condominium Association.

Paragraph 31 further provides that the Condominium Units may be conveyed or transferred by the Unit Owners subject to certain requirements contained in Paragraph 31.

Paragraph 33 of the Condominium Lease provides for certain easements benefitting the Condominium and burdening the Headhouse, including (without limitation) the following: (i) an easement through all portions of the Headhouse other than interior portions thereof that are subleased to space tenants as is necessary for the maintenance of the Improvements on the Premises; (ii) an easement for encroachments through all portions of the Headhouse which abut any portion of the Premises; (iii) an easement for the use and maintenance of various equipment located in the Headhouse, including (without limitation) certain sprinkler equipment and an emergency generator; (iv) an easement for maintenance of certain specified areas of the Headhouse; (v) an easement for pedestrian access through portions of the Headhouse to and from the Premises; (vi) an easement for potable water service through the Headhouse to the Premises; (vii) an easement for vehicular access to and from the Garage; (viii) an easement for structural support over the party walls and columns between the Premises and the Headhouse; (ix) an easement for the use and maintenance of various utility lines through the Headhouse and serving the Premises; (x) an easement for sanitary sewer service through the Headhouse to the Premises; and (xi) an easement through the Headhouse for ventilation. The Condominium Lease further provides for the delegation of responsibility for, and the sharing of costs between, the Lessee and the Lessor of the Headhouse connected with the maintenance and operation of the aforementioned easement areas and shared facilities. In addition, the Premises is subject to certain easements in favor of the Headhouse. (For more information regarding the easements burdening the Premises, see the portion of the Narrative entitled "Encumbrances Upon Title".) To the extent these costs are to be borne by the Lessee, they will be assessed against the Unit Owners as General Common Expenses.

Paragraph 34 of the Condominium Lease provides for the non-disturbance of the Condominium Unit Owners, sublessees and permitted mortgagees in the event of a termination of the Condominium Lease or the Lessee's right and privileges prior to the expiration date of the Condominium Lease.

Paragraph 38 of the Condominium Lease provides for sixty (60) days' prior written notice to the City and the Redevelopment Authority of the City of Philadelphia before the Lessee can file legal proceedings against the Lessor for a default by the Lessor under the Condominium Lease. Both the City and the Redevelopment Authority, or either or them, may cure such default during said sixty (60) day period.

Paragraph 39 provides that the liability of the Lessor under the Condominium Lease is limited to its interest in the Premises, and the rents, issues and profits thereof. No officer, director or member of the Lessor shall have any personal liability under the Condominium Lease. A similar limitation of liability is granted to the Lessee, its successors, assigns and leasehold mortgagees.

Paragraph 42 of the Condominium Lease provides that it may not be amended or modified except by a writing signed by the Lessor and the Lessee. Each and every covenant, condition and obligation contained in the Condominium Lease shall be binding upon and inure to the benefit of the respective successors and assigns of the Lessor and the Lessee; provided, however, that Condominium Unit Owners shall not be obligated to initially construct the Improvements.

#### Management Agreement

The Condominium Association will enter or has entered into a Management Agreement with Scully Company (the "Manager") to provide for the day-to-day management of the Condominium. The full text of the Management Agreement is set out in the portion of this Public Offering Statement entitled Condominium Management. The terms of the Management Agreement and the powers delegated to the Manager under such Management Agreement are governed by Section 3.03 of the Bylaws and Article XV of the Declaration. The Manager's primary responsibilities pursuant to the Management Agreement include (but are not limited to) the following:

(a) Preparing the Association's Budget, which sets forth the estimated receipts and disbursements for the ensuing fiscal year (coterminous with the calendar year) relating to the operation and management of the Common Elements and the Limited Common Elements.

(b) Billing and collecting assessments for General Common Expenses and Limited Expenses.

(c) Maintaining the Common Elements and Limited Common Elements in a first class manner, without any obligation to maintain or repair individual Units within the Condominium.

(d) Contracting for security services for the Building.

(e) Selecting and supervising, on behalf of the Association, such employees as are necessary to perform the aforementioned obligations.

In consideration for these services, the Management Agreement requires the Association to reimburse the Manager for expenses it incurs in performing such services and to initially pay the Manager a fixed monthly management fee of \$2,900.00. The Management Agreement has an initial term of 1 year and will be extended thereafter on a year to year basis unless the Manager or the Association elects to terminate at the end of any yearly extension period, upon sixty (60) days' notice to the other party. However, the Management Agreement can be unilaterally terminated by the Association without cause and without penalty at any time prior to ninety (90) days after the date of the Second Election Meeting.

#### Agreement of Sale

The Agreement of Sale sets forth the various rights, duties and obligations of the Purchaser and Declarant with respect to the individual Unit to be purchased. The full text of the current form of such Agreement of Sale is set forth in the portion of this Public Offering Statement entitled "Agreement of Sale." Nothing shall preclude Declarant from modifying the terms of Agreements of Sale for particular Units on a case by case basis. The Agreement of Sale consists of the "Schedule" (which sets out the principal business terms of the Agreement), the "Terms" and a number of attached exhibits.

Section 1 of the Terms states that the Unit Purchaser will receive ownership of a specified Unit, together with a specified appurtenant undivided proportionate ownership interest in the Common Elements (called the "Percentage Interest"). In the Agreement of Sale, the Unit and its corresponding Percentage Interest in the Common Elements are collectively called the "Unit." Item II of the Schedule sets forth the number of the individual Unit being purchased and the Unit's Percentage Interest in the Common Elements. The cost of maintaining the Common Elements (the "Common Expenses") are generally allocated to each Unit in accordance with its Percentage Interest. The estimated Common Expenses for the current year of the operation of the Condominium appear in the Budget included in this Public Offering Statement.

Section 3 of the Terms provides that the Purchaser acknowledges receipt of the Condominium Documents.

Section 4 of the Terms provides that the "Purchase Price" for the Unit is in Item III of the Schedule. Purchasers will be required to pay a deposit at the time the Agreement is executed (the "Earnest Money"), and may be required to make an additional deposit before settlement for the Unit. The balance of the Purchase Price (after a deduction of the Earnest Money and any other deposit previously paid) is due on the date on which title to the Unit is conveyed to the Purchaser (the "Settlement Date"). Purchase prices for Units may fluctuate from time to time.

Section 5 of the Terms describes the instrument of conveyance to be transferred to the Purchaser on the Settlement Date and sets forth various title exceptions to which each Unit will be subject and which each Purchaser is accepting. (See the Unit Title Documents included within this Public Offering Statement.) Section 5 also explains the rights and obligations of the parties in the event that the Unit will be subject to occupancy rights of a third party under a lease in effect as of the Settlement Date.

Section 6 of the Terms describes how the Settlement Date will be determined and the responsibilities of each of the parties to the Agreement of Sale for various costs and charges to be paid on the Settlement Date, including the cost of leasehold title insurance.

Section 7 of the Terms sets forth the various events of default and the rights of the Declarant and the Purchaser in the event of a default by either party. Upon a default by the Purchaser, the Declarant is entitled to retain all Earnest Money and any other deposit previously paid by the Purchaser on account of the Agreement of Sale, together with any interest earned thereon, as the Declarant's sole remedy. In the event of a default by the Declarant under the Agreement of Sale, the Purchaser is entitled to a return of all Earnest Money and any other deposit previously paid by the Purchaser pursuant to the Agreement of Sale (with interest earned thereon) as the Purchaser's sole remedy.

Section 8 of the Terms provides that the named Purchaser under the Agreement of Sale may not assign the Purchaser's right to purchase the Unit without the consent of the Declarant. However, the Declarant may assign its rights and obligations under the Agreement of Sale.

Section 10 of the Terms sets forth the various warranties given to Purchasers by the Declarant. These warranties are summarized in the portion of this Narrative entitled "Warranties Provided by the Declarant."

Section 11 of the Terms obligates the Declarant to furnish certain certificates to the Purchaser at Settlement.

Section 12 of the Terms provides that, for the Agreement of Sale to be binding, it must be executed by the Declarant within ten (10) business days following the date of the Purchaser's execution thereof and that during such period the Agreement of Sale constitutes a nonrevocable offer by the Purchaser.

Section 14 of the Terms sets forth the rights of the Declarant and the Purchaser in the event that all or a portion of the Condominium is destroyed, damaged or condemned prior to the Settlement Date.

Section 15 of the Terms limits the authority of sales persons and other parties to change the Agreement of Sale or make representations or agreements collateral to the Agreement of Sale. Any oral statements by sales persons are not binding upon the Declarant.

Section 18 of the Terms grants the Purchaser the right to terminate the Agreement of Sale upon the death of the Purchaser or the spouse of a Purchaser.

Section 19 obligates Purchaser whose Agreement of Sale has been terminated for any reason to return the Public Offering Statement to Declarant in reasonable condition, in the absence of which Declarant may retain the sum of \$50.00 to cover the cost of such Public Offering Statement.

Exhibit "M" will, at the Declarant's option, be added to Agreements upon the request of a qualified Purchaser when such Purchaser requires a mortgage contingency. Exhibit "M" sets forth the requirements and rights of the Purchaser and the Declarant with respect to obtaining mortgage financing. The Declarant may also require some prospective Purchasers to obtain pre-approval as part of the mortgage contingency arrangements. (See the portion of this Narrative entitled "Financing for Purchasers of Units.")

The Declarant retains the right, at any time and from time to time, to adjust the Purchase Prices for the Units in the Condominium, and any increases in these prices belong to the Declarant. No changes in Purchase Prices shall affect Agreements of Sale executed by the Declarant prior to the time such changes are made.

#### Engineering Report

The Engineering Report (the full text of which is set out in the portion of this Public Offering Statement entitled "Engineering Report") has been prepared by the independent engineering firm of E.R. Consulting, Inc.

The Engineering Report describes the age, condition (as of the date of the report), estimated remaining useful life and estimated replacement cost of the structural, mechanical and electrical components of the Condominium (which estimates were calculated as of the date of such report), and the results of the inspection of the Units and Common Elements required pursuant to Section 3411(c) of the Act (relating to Declarant's warranties) for visible conditions that affect the health or safety of residential occupants of the Condominium. It should be noted that the preparer of the report did not inspect every Unit in the Condominium, but inspected a representative number of the vacant Units.

The Declarant has relied upon this Engineering Report in providing the warranty required by Section 3411(c) of the Act as to the existing components (described in the portion of this Narrative entitled "Warranties Provided by the Declarant") and in estimating the replacement reserve for the Common Elements of the Condominium (as contained in the current 1994 Budget for the Condominium Association, the full text of which is set out in the portion of this Public Offering Statement entitled "Budget").

#### CONDOMINIUM ASSOCIATION FINANCIAL MATTERS

A copy of the budget for calendar year 1994, prepared by Declarant, is made a part of this Public Offering Statement. The Declarant believes that the enclosed version of the Budget is based upon the best possible cost estimates that can be made at this time on the basis of the information currently available. No assurance can be given that additional assessments will not be required during 1994, or that the Budget for subsequent years may not be materially different than the estimated Budget for the year 1994.

The budget reflects creation of a reserve fund for future capital expenditures. These figures were based upon estimated replacement values and estimated useful lives of the Common Elements as contained in the Engineering Report included in this Public Offering Statement. In addition, the Budget contains provisions for the creation of a reserve in an amount equal to the anticipated cumulative amount of all deductibles expected to be contained in the insurance policies to be carried by the Association (as summarized in the portion of this Narrative entitled "Condominium Insurance").

There are no services not reflected in the Budget that the Declarant currently provides, or expenses that it currently pays and expects may become at any subsequent time a General Common Expense or Limited Expense of the Association, other than the payment by Declarant of the rental obligations and expenses incurred in connection with the leasing and operation of the Condominium offices in the Headhouse.

The initial capitalization of the Association will be provided by non-refundable payments made by each Purchaser of a Unit at the time of his or her Settlement. This capitalization will continue to be a requirement to be fulfilled by Purchasers of Units from Declarant and these payments will be in the amount equal to two (2) months' installments of the Declarant's initial estimate of monthly assessments for Common Expenses for the Unit pursuant to Section 6.4 of the Declaration and will be paid to the Association in order to provide it with operating expenses and otherwise to meet the financial needs of the Association. No Purchaser shall be entitled to a refund of this payment from the Association or the Declarant at any time or under any circumstances.

At the Settlement for each Unit purchased, the Purchaser of that Unit will be required to pay additional Settlement costs, as enumerated in the Agreement of Sale.

#### REAL ESTATE TAXES

Currently, real estate taxes are assessed against Pier 3 as a whole, and Units are not individually assessed. With the commencement of Declarant's sales program, however, it is likely that Units will be separately assessed for real estate taxes in future years, most likely starting in 1995. A Unit Owner can reasonably estimate tax liability for his or her Unit by considering that the Real Estate Tax Assessor currently uses a ratio of 32% of the sales price of condominium units as the units' assessed value for real estate tax purposes when assessing units in condominiums. In Philadelphia, real estate taxes are assessed on a calendar year basis. The Declarant recommends that each purchaser use the formula described above for estimating his or her own real estate taxes since this is the most reliable information available to the Declarant on the effective date of this Public Offering Statement.

Of course, no assurances can be given that the foregoing ratio of assessed value to "fair market value" will in fact be used in determining real estate tax assessments against individual Units or that the portion of the purchase price attributed to real estate in the Agreement of Sale will be accepted by the Assessor as its fair market value. The current real estate tax millage of .08264 multiplied by assessed value yields a Unit's real estate tax liability. Also, no assurance can be given that this ratio will not change in the future, or that the tax rates will not change from the current figure.

ENCUMBRANCES UPON TITLE

Description of Liens, Defects or Encumbrances on  
or Affecting the Title to the Condominium

The Condominium is subject to:

(a) The Declaration of Condominium of Pier 3 Condominium, and conditions disclosed by the Plats and Plans, which are attached to the Declaration of Condominium as Exhibit "C," the Bylaws and the Rules and Regulations, as each of them may be amended.

(b) The title exceptions listed on Exhibit "B" to the Agreement of Sale, including (without limitation) the terms and conditions of the Condominium Lease, the Prior Leases (but with the benefits and protection of the provisions of the Non-Disturbance Agreement) and the Redevelopment Contract.

(c) Statutory easements granted by the Act, including (but not limited to):

(1) The easement, described in Section 3216 of the Act, which provides that any Unit or Common Element is subject to a valid easement to the extent that any other Unit or Common Element encroaches upon it;

(2) The provisions of Section 3217 of the Act (which is further described in Section 9.3 of the Declaration), which provide that the Declarant may maintain sales offices, management offices and models in the Condominium;

(3) The provisions of Section 3218 of the Act, which allow the Declarant an easement through the Common Elements as may be reasonably necessary to facilitate the completion of the Condominium or the exercise of any "Special Declarant Rights"; and

(4) The easement, provided for in Section 3307(a) of the Act, which obligates each Unit Owner to afford to the Association and the other Unit Owners such access through his or her Unit as is reasonably necessary for the maintenance, repair and replacement of the Common Elements (including Limited Common Elements) and the Units of such other Unit Owners.

(d) Easements and restrictions described in Section 9.1 of the Declaration, including (but not limited to):

(1) An easement in favor of Declarant to use and maintain the Condominium Office, management offices and models as provided in Section 9.3 of the Declaration, and to maintain one or more advertising signs on or in the Common Elements.

(2) An easement in favor of the appropriate utility companies for such services as are desirable or necessary to adequately serve the Premises and all appurtenances thereto, including (by way of illustration and not limitation) the right to install, lay, maintain, repair, relocate and replace water mains and pipes, sewer and drain lines, telephone and other communication wires, cables and equipment, electrical wire and conduits, and associated equipment, through the Premises (including, without limitation, one or more Units therein).

(3) The Common Elements (excluding the Balcony Areas, Patio Areas and Terrace Areas) are subject to an easement in favor of the Unit Owners and their invitees, employees, tenants and servants, the Association and the agents, independent contractors and employees of the Association, for access, egress and ingress over, through and across each portion thereof, pursuant to such requirements as the Executive Board may from time to time prescribe.

(4) The Common Elements are subject to an easement in favor of the Association, and its agents, employees and independent contractors, for the purpose of the inspection, cleaning, upkeep, maintenance, repair and replacement of the Common Elements.

(5) The Common Elements are subject to the following easements in favor of the Unit or Units benefitted:

(A) For the installation, repair, maintenance, use, removal and/or replacement of storm water drainage lines, pipes, ducts, heating and air conditioning systems, wiring and cables for electrical and telephone and other communication systems, and all other utility lines, conduits and related equipment that serve one (1) or more Units and that pass across or through a portion of the Common Elements;

(B) For the installation, repair, maintenance, use, removal and/or replacement of overhead lighting fixtures, lighting devices, medicine cabinets, electrical receptacles and the like that are located in a portion of the ceiling, wall or floor adjacent to a Unit but constitute a part of the Common Elements;

(C) For driving and removing nails, screws, bolts and the like into the Unit-side surface of walls, ceilings and floors that are Party Walls or are part of the Common Elements.

(D) For the installation, repair, maintenance, use, removal and/or replacement of exhaust fans, ventilation ducts, registers, grilles and similar fixtures and related equipment that serve only one Unit but encroach into any part of any Common Element on the date this Declaration is recorded;

(E) For emergency entrance to and egress from any Unit.

(6) To the extent necessary, each Unit has an easement for structural support over every other Unit in the Premises and the Common Elements, and each Unit and the Common Elements are subject to an easement for structural support in favor of every other Unit in the Premises and all other Common Elements. To the extent that any Unit or Common Element encroaches upon any other Unit or Common Element, a valid easement for such encroachment shall exist, but such easement does not relieve a Unit Owner of liability in case of such Owner's willful misconduct or relieve any contractor, subcontractor or materialman of liability for failure to adhere to the Plats and Plans.

(7) The Units and the Limited Common Elements are also subject to the following easements:

(A) In favor of the Association and its agents, employees and independent contractors:

(i) For inspection of the Units in order to verify the performance by Unit Owners of all items of maintenance and repair for which they are responsible;

(ii) For inspection, maintenance, repair, and replacement of the General Common Elements and Limited Common Elements situated in or accessible from such Units or Limited Common Elements, or both;

(iii) For correction of emergency conditions in one or more Units or Limited Common Elements, or both, or casualties to one or more of the General Common Elements, Limited Common Elements or Units; and

(B) In favor of the Unit Owners benefitted thereby and the Association and its agents, employees and independent contractors, for one or more of the installation, repair, maintenance, use, removal or replacement of pipes, ducts, electrical, telephone, telegraph or other communication systems and all other utility lines and conduits that are part of the General Common Elements and/or Limited Common Elements and that pass, over, under, across or through a portion of one or more Units.

(8) Each Unit Owner has an easement for the purpose of affixing and removing carpeting, parquet flooring, ceiling tiles and other floor and ceiling coverings, and otherwise decorating, cleaning and maintaining the surfaces of the floors and ceilings in his or her Unit, subject to the rights of the Association to repair such floors and ceilings.



(9) Each Unit Owner has an easement for the purpose of decorating the surfaces of the perimeter walls in such Unit and affixing thereto and removing therefrom paint, wallpaper or other decorative material, pictures, mirrors, wall systems and decorative articles, and (with respect to all such portions of the Building in which such Unit is located) cleaning and maintaining such surfaces, subject to the right of the Association to repair such walls.

(10) Each Unit Owner has an exclusive easement for use of the Balcony Area, Terrace Area or Patio Area appurtenant to his or her Unit, subject to the right of the Executive Board to promulgate Rules and Regulations regarding the use of such Balcony Areas, Terrace Areas and Patio Areas, and to such other restrictions as are imposed by the Declaration.

(11) Until the completion of construction and installation of items of personal property that the Declarant may (at its election) agree from time to time to install in any Unit pursuant to an Agreement of Sale with the Purchaser of such Unit, Declarant has an easement through the portions of the Common Elements and the Units necessary to complete such work.

(12) The Garage portion of the Common Elements is subject to an easement in favor of the Unit Owners, their invitees, employees, tenants and servants for pedestrian ingress to and egress from a Unit and for transporting such materials as can be carried by such pedestrians or transported in non-motorized vehicles (including, but not limited to, bicycles and carts) through the Garage to a Unit or to another Common Element.

(13) The Garage portion of the Common Elements is subject to an easement in favor of the Unit Owners, their invitees, employees, tenants and servants for vehicular ingress to and egress parking spaces.

(14) Unit RL101 is subject to an easement in favor of the owner of the marina to the north of the Premises (the "Marina") for the installation and periodic maintenance, repair and replacement of an electric circuit panel and the wires and cables emanating therefrom which run to and provide electric service to the Marina.

(e) The easements burdening certain portions of the Condominium in favor of the Headhouse and/or the Marina as set forth in Section 33(a) and Schedule E of the Condominium Lease, including (without limitation):

(1) An easement for encroachments of portions of the Headhouse and Marina abutting portions of the Premises;

(2) An easement for lateral support of the Marina, and an easement for support of the party wall and columns between the Premises and the Headhouse;

(3) An easement for the benefit of the Headhouse for storm water drainage below the floor of level 1 of the Premises;

(4) Easements for pedestrian and vehicular access benefitting the Headhouse and Marina (pedestrian access only);

(5) Easements with regard to elevator equipment, telephone equipment and electrical switch gear located on the Premises and serving (in part) the Headhouse or Pier 5;

(6) Easement for utility lines running through the Premises underground and benefitting Pier 5;

(7) Easement for maintenance of certain areas in the Premises, for the benefit of the Headhouse; and

(8) Easement for light and air for the benefit of the Headhouse.

(f) Facade easement granted by the City of Philadelphia, Redevelopment Authority of the City of Philadelphia and Penn's Landing Corporation to Penn's Landing Associates-I, L.P., dated as of November 27, 1984 and recorded in the Department of Records of the City of Philadelphia in Deed Book F.H.S. 38 page 173.

(g) Conditions disclosed by Plan of Survey dated July 27, 1984 and revised December 10, 1984, prepared by Barton and Martin, Inc.

(h) Mortgages from Declarant to Home Savings Bank, F.S.B. and The Edwards Investment Fund, each dated December 31, 1993 and recorded in Mortgage Book VCS 921, page 538 and Mortgage Book VCS 921, page 566, respectively (the liens of such Mortgages shall be released from each Unit at the time of the sale of such Unit by Declarant to an unaffiliated third party).

#### FINANCING FOR PURCHASER OF UNITS

Although the Declarant has not obtained any commitment for mortgage loans to be made available to Unit Purchasers, the Declarant will, upon request, refer prospective Purchasers to one or more institutions which may be prepared to provide this financing. The Declarant will not receive any referral fee for such financing. No assurance of the availability of mortgage financing can be made at this time.

In order to enable qualified Purchasers to obtain financing, the Declarant may agree to add Exhibit "M" to the Agreement of Sale upon the Purchaser's request. This Exhibit provides that certain prospective Unit Purchasers will be entitled to a period of time from the date of acceptance of the Agreement of Sale by Declarant in order to obtain a commitment for a mortgage loan at the then prevailing rates and terms. The Purchaser will be required to use his or her best good faith efforts to obtain a commitment for a mortgage loan in the amount set forth in the "Schedule," or such lesser amount as the Purchaser agrees in writing to accept. If a Purchaser is unable to obtain such a commitment for a mortgage loan at the then prevailing rates and terms, the Declarant may elect to cancel the Agreement or direct the Purchaser to seek alternative financing. If no alternative financing is available, then either Declarant or Purchaser may elect to cancel the Agreement of Sale. A Purchaser will be entitled to a complete return of his or her Earnest Money (with interest) in the event that a commitment for a mortgage loan has not been obtained as provided in Exhibit "M," except that Earnest Money will be non-refundable once a commitment for a mortgage loan has been obtained or the right to obtain a commitment has been waived by the Purchaser.

Prospective Purchasers are responsible for informing their lenders of the requirements of the Declaration with respect to mortgage loans. These requirements are set out in Section 10.2 of the Declaration.

#### WARRANTIES PROVIDED BY THE DECLARANT

The only warranty provided by the Declarant is the warranty expressly set forth in Section 3411(c) of the Act. This warranty is described in considerable detail in Section 10 of the Terms to the Agreement of Sale. In summary, the Declarant warrants against "structural defects" in components installed by the Declarant and work done or improvements made by the Declarant, which warranty covers each Unit for two years from the Settlement Date for such Unit and the Common Elements for a two-year period (commencing upon the later of the time on which the Common Element in question has been completed or the time at which the first Unit in the Condominium is conveyed to a bona fide Purchaser). Since the Premises is a "conversion building" as defined in the Act, and since the Declarant did not build Pier 3 or the Building, any work so guaranteed by Declarant will be limited in scope. In addition, the Declarant warrants that the Units and the Common Elements (including the components that were not installed by the Declarant) have been inspected for visible structural and mechanical defects and for other visible conditions that adversely affect the health or safety of residential occupants (unless the occupant of a Unit refuses to permit such inspection, in which event Declarant is not required to inspect that particular Unit), and that any such defects and other visible conditions found have been repaired. The term "structural defects" is defined in the Act as "those defects in components constituting any unit or common element which reduce the stability or safety of the structure below accepted standards or restrict the normal intended use of all or part of the structure and which require repair, renovation, restoration or replacement." No action to enforce this warranty can be commenced later than six years after the two year warranty period commences. The Declarant is not responsible for any items of maintenance relating to Units or Common Elements. With the sole exception of this warranty, the Declarant specifically excludes all other warranties and is selling the Units, the Percentage Interests and any personal property in the Units "as is and where is."

The procedure for making warranty claims and the limitations with respect to such claims are also set forth in Section 10 of the Terms to the Agreement of Sale. Such warranties shall not apply if the defective part of the Unit or the Common Elements has been subjected to misuse or damage or has not been afforded reasonable care. Further, no claim arising out of such warranties may be brought unless, prior to the expiration of the appropriate two-year warranty period, the Purchaser has delivered notice to the Declarant of all alleged breaches of these warranties.

#### LITIGATION INVOLVING THE CONDOMINIUM ASSOCIATION OR THE CONDOMINIUM

As of the effective date of this Public Offering Statement, there are no judgments against the Association, nor is that entity a party to any pending litigation. The Declarant has no actual knowledge of any currently pending litigation that would have any material effect on the Condominium.

#### ESCROW DEPOSITS UNDER AGREEMENTS OF SALE

Any deposit made in connection with the purchase of a Unit will be held in an escrow account in accordance with the provisions of Section 3408 of the Act and any other applicable laws, and will be returned to the Purchaser if the Purchaser cancels his or her contract within the fifteen (15) day time period provided by the terms of Section 3406 of the Act (as explained more fully on the first page of this Public Offering Statement).

#### INITIAL OR SPECIAL FEES DUE FROM PURCHASERS AT CLOSING

At Settlement, each Unit Purchaser shall be required to pay to the Association an amount equal to two (2) months' estimated Common Expense liability for the Unit being purchased (as established in the Budget of the Association) in order to establish a working capital fund for the Association. (See Section 6.4 of the Declaration.) There are no other initial or special fees due from the Purchaser to the Association at Settlement.

#### RESTRICTIONS ON TRANSFERABILITY OR USE OF UNITS

There are no restrictions upon the resale of a Unit by its Owner and no rights of first refusal with respect thereto. The Declaration does create, however (in Section 7.2), the following restrictions upon the leasing of Units by Unit Owners:

- (a) Any lease or sublease of less than an entire Unit is prohibited;
- (b) No Unit may be leased or subleased for an initial term of less than seven (7) days or without a written lease or sublease;
- (c) A copy of all leases or subleases (other than those entered into by the Declarant) must be furnished to the Executive Board within ten (10) days after execution thereof; and
- (d) The rights of any lessee or sublessee of any Unit (under a lease or sublease, the current term or current renewal or extension thereof which commences on or after the date the Declaration is recorded) will be subject to, and each such lessee or sublessee shall be bound by, the covenants, conditions and restrictions contained in the Declaration, the Prior Leases (as defined in the Declaration) and the Condominium Lease; provided, that lessees or sublessees are not directly liable to pay any Annual or Special Assessments on behalf of the Owner of the Unit in which such lessees or sublessees reside.

The restrictions imposed in (a) and (b) above shall not apply to Units leased or subleased by the Declarant or its affiliates, and the provisions of (c) shall not apply to Declarant prior to the conveyance of a Unit to a Person other than Declarant; and, the provisions of (a), (b) and (c) above shall not apply to (i) the holder of a mortgage on a Unit who is in possession of such Unit following a default under such mortgage or a foreclosure with respect thereto, or (ii) the lessors (and their respective successors and assigns) under the Prior Leases (as that term is defined in Section 2.2 of the Declaration).

Use of the Units, Common Elements and Limited Common Elements is restricted by the Rules and Regulations (as previously summarized in this Narrative). Further, the Declaration (in Section 7.1) imposes a number of restrictions on use, including (in addition to those restrictions previously discussed in the portion of this Narrative summarizing the Declaration), but not limited to, the following:

(a) Units in the Condominium (with the exception of any Units during the time period when they are being used by Declarant as sales offices or as samples or models for either or both of sales or leasing activities) are restricted to residential use and may not be used for any other purposes by the Unit Owner or any future Unit Owner. Notwithstanding the foregoing, Unit RL101 may additionally be used as a restaurant and for uses accessory to a restaurant (including, without limitation, dining room, kitchen, service bar, storage of food and other staples, back office operation and waiting lobby).

(b) No Unit Owner may obstruct the General Common Elements or the Limited Common Elements in any way. Subject to Section 7.4 of the Declaration and except as otherwise provided in the Rules and Regulations, no Unit Owner may store anything in or on the General Common Elements or the Limited Common Elements without the prior written consent of the Executive Board.

(c) The General Common Elements (other than such portions of the Premises as to which the Executive Board may, from time to time, limit or control access by the Unit Owners and other occupants of the Units) shall be used only for the benefit or enjoyment of the Unit Owners and the occupants of Units, except that the Health Facilities may, upon the determination of the Executive Board, be opened to use by Persons who are not residents at the Condominium, and the Executive Board may charge fees for such use. No Unit Owner may carry on any practice, or permit any practice to be carried on that unreasonably interferes with the quiet enjoyment of any other Units by the occupants thereof. The Premises is to be maintained in a clean and sanitary condition, and no Unit Owner may place any garbage, trash or rubbish anywhere in the Premises other than in his or her own Unit and in or on such parts of the Common Elements as may be designated for such purpose by the Executive Board. If and in the event that Unit RL101 is used as a restaurant, the Owner of such Unit shall and separately arrange and pay for the removal of trash and garbage from such Unit, at such Owner's sole cost and expense.

(d) No Unit shall be used, occupied or kept in a manner that, in any way, would create a nuisance to another Unit Owner or would increase the fire insurance premiums for the Premises, without the prior written permission of the Executive Board, and, as to such increase, such permission may be conditioned upon the Owner of such Unit being required to bear the full cost of such increase. No Unit or any part of the Common Elements shall be used, occupied or kept in a manner that violates any law, statute, ordinance or regulation of any governmental body or that leads to the cancellation of any hazard insurance policy or policies on the Premises.

(e) Except for a name sign on the door to his or her Unit in accordance with such standards as may be designated by the Association, no Unit Owner (other than Declarant in connection with its marketing and sale of the Units) may erect any sign on or in his or her Unit or any Limited Common Element that is visible from outside his or her Unit or from the Common Elements, without in each instance having obtained the prior written permission of the Executive Board.

(f) Upon compliance with the requirements of Section 3213(3) of the Act and subsection (h) below, two or more adjacent Units may be combined into a larger Unit, without the necessity of obtaining any other approvals from the Association, provided that all of such combined Units are under common ownership at the time of effecting such combination.

(g) Except as specifically otherwise provided with respect to Declarant, and subject to the provisions of Section 10.4 of the Declaration, no Unit may be divided or subdivided by any Unit Owner into a smaller Unit, nor may any portion thereof less than the entire Unit be sold or otherwise transferred, unless the Executive Board gives its prior written consent thereto. Notwithstanding the foregoing, Declarant has retained the right to subdivide each Unit owned by it into two (2) separate Units pursuant to Section 3215(a) of the Act, without the necessity of obtaining the aforementioned consent. Hence, the maximum number of additional Units that may be created by the subdivision of Units owned by the Declarant is 172. Declarant has not retained the right to convert any Units owned by it to Common Elements pursuant to the provisions of Section 3215(c) of the Act, except insofar as the exercise of its rights to subdivide Units results in the creation of Common Elements or Limited Common Elements or both.

(h) Any Unit Owner who wishes to make any change in any Perimeter Wall, Perimeter Ceiling or Perimeter Floor or to perform any other Alteration to his or her Unit must comply with the provisions of Section 7.1(h) of the Declaration.

(i) Nothing shall be done or be permitted to be done that would jeopardize the soundness or safety of the Building or impair any easement or hereditament therein without the consent of all Unit Owners and all holders of Permitted Mortgages.

(j) Except with respect to emergency repairs, which repairs are to be performed only by the Association, the installation, removal, relocation, reconstruction or repair of any electrical, telephone, telegraph or other signal transmission lines; electrical outlet boxes or terminal devices included in such boxes; any item of plumbing equipment; or any ventilation or exhaust ducts or related equipment, any of which is located within an interior partition of a Unit or within the ceiling above a Unit, may be undertaken by the Unit Owner of such Unit only after application has been made to and written approval has been received from the Executive Board, and in the case of any installation, removal or relocation of such heating or air conditioning equipment within the ceiling above a Unit, only after the approvals of the Owners of the Units directly above and directly below the location of such installation, removal or relocation have been received.

(k) No Unit Owner may keep any animal in his or her Unit without the prior written approval of the Executive Board, and subject to any restrictions set forth in the Declaration and/or the Rules and Regulations.

(l) The Owner of a Unit is responsible for maintaining such Unit in good order and repair, at the expense of such Owner, the repair and replacement of the panes of all windows and sliding glass doors located within the title lines of his or her Unit.

(m) The Owner of a Unit is responsible for the cleanliness of any Balcony Area, Patio Area or Terrace Area appurtenant to such Unit, at the expense of such Unit Owner.

(n) No decoration or other surface finish or covering of any portion of any Limited Common Element may be performed by a Unit Owner without the prior written consent of the Executive Board.

(o) No individual, without the prior written approval of the Executive Board, may go at any time upon any portion of the roof of the Building, except in an emergency.

(p) No water bed or other furniture filled with a liquid or semi-liquid is to be installed or used in any Unit.

#### CONDOMINIUM INSURANCE

The Condominium, including the Units themselves, will be insured by a policy of fire and property damage insurance written on an "all-risk" basis, in an amount equal to the full insurable replacement cost of the Building and all personal property owned by the Association, and otherwise complying with the requirements of the Declaration (as set forth in Sections 11.1(a) and 11.2 thereof). The premium for this insurance will be paid by the Association and each Unit Owner will pay his or her share as part of his or her assessment for Common Expenses. This policy will not insure fixtures or finishes or any personal property contained within the Units, it being the individual responsibilities of the individual Unit Owners to obtain property insurance for their personal property, finishes and/or any fixtures within their respective Units.

The Executive Board may elect to have insurance proceeds under the fire and property damage insurance policy carried by the Association made payable to an insurance trustee (the "Insurance Trustee").

The Association shall also carry a liability insurance policy on behalf of the Association, any managing agent retained by the Association and all Unit Owners, to insure them against liability arising out of the ownership or use of the Common Elements, complying with the applicable requirements of the Declaration (see Sections 11.1(b) and 11.3 thereof). This policy will not insure Unit Owners against liability arising from an accident or an injury occurring within their Units, nor will Unit Owners be insured against liability arising from their own negligence, it being the individual responsibility of the Unit Owners to obtain such liability insurance.

All insurance carried by the Unit Owners must comply with the requirements of the Declaration (as set forth in Section 11.2 thereof). Condominium Unit Owner insurance coverage is currently available in Pennsylvania and should be obtained by each Unit Owner to protect himself or herself against fire or other damage to the property contained within his or her Unit and liability claims within his or her Unit, and the Association has the power to require Unit Owners to carry such insurance to the extent it is reasonably required by the Executive Board. Unit Owners are strongly urged to consult their insurance advisors with regard to obtaining proper insurance coverage.

In addition, the Association is obligated to obtain a fidelity bond or insurance coverage against dishonest acts of all Persons responsible for handling funds belonging to or administered by the Association, in an

amount and in accordance with the requirements of the Declaration (see Sections 11.1(c) and 11.2 thereof). Also, the Association is obligated to obtain director and officer liability insurance coverage on behalf of the Executive Board and the Association's officers to insure them against liability arising in connection with their conduct as Executive Board members and Association officers. The premiums for such fidelity bond and insurance coverage are to be paid by the Association as a General Common Expense.

**FEES OR CHARGES EXPECTED TO BE PAID BY UNIT OWNERS  
FOR USE OF THE COMMON ELEMENTS AND  
OTHER FACILITIES RELATING TO THE CONDOMINIUM**

As discussed throughout this Narrative and as estimated in the Budget, Unit Owners will be assessed for General Common Expenses and Limited Expenses in connection with their use of the Common Elements and Limited Common Elements, respectively. In addition, the Declarant (or the Association, as applicable), may charge a fee for the initial allocation of parking spaces and storage spaces to designated Units as Limited Common Elements appurtenant to such Units, and the Association is empowered to charge user fees, at its option, for use by residents (and nonresidents if it sees fit) of the Health Facilities.

**OTHER UNUSUAL AND MATERIAL CIRCUMSTANCES, FEATURES  
AND CHARACTERISTICS OF THE CONDOMINIUM AND THE UNITS**

The Condominium is situate on property owned by the Commonwealth of Pennsylvania. The Commonwealth has leased the property to the City of Philadelphia, which has in turn leased the property to the Redevelopment Authority of the City of Philadelphia (the "Authority"). The Authority has leased the property to Penn's Landing Corporation ("PLC"), who in turn leased the property to Penn's Landing Associates-I, L.P. ("PLA-I"). PLA-I's interest was assigned at Sheriff's sale to Declarant. All of the aforementioned leases (other than the Condominium Lease) are referred to in the Condominium Documents as the "Prior Leases." The Declaration of the Condominium is subject to the terms of the Prior Leases and the Condominium Lease. The Prior Leases are recorded in the Office of the Department of Records in and for the City and County of Philadelphia, Commonwealth of Pennsylvania. A copy of the Condominium Lease and all amendments thereto is available for review at Declarant's sales offices.

Since the Condominium is situate on property leased to the Declarant pursuant to the Condominium Lease, the Condominium is a leasehold condominium. The Act requires that prospective Purchasers be informed that THEIR INTEREST IN A LEASEHOLD CONDOMINIUM MAY BE LESS VALUABLE THAN A FEE INTEREST, MAY DEPRECIATE OVER TIME AND MAY BE OF QUESTIONABLE MARKETABILITY. A Unit Owner's ownership interest in a Unit and the Common Elements will terminate upon the expiration of the term of the Condominium Lease. The Condominium Lease is scheduled to expire on November 30, 2083, although it may be renewed for an additional period of ninety-nine (99) years if the Association elects to so renew.

There are no circumstances under which the Condominium Association may become a master association or part of a master association. In addition, the Condominium contains no convertible or withdrawable real estate.

The Building at Pier 3 which comprises the Units is a "conversion building" within the meaning of the Act. Consequently, the Condominium is subject to those provisions of the Act dealing specifically with "conversion buildings," including without limitation the rights of tenants as set forth in Section 3410 of the Act.

**PRESENT CONDITION OF ALL STRUCTURAL COMPONENTS  
AND MAJOR UTILITY INSTALLATIONS**

Because the structural components were not installed by the Declarant, the Declarant has conducted an inspection of such structural components, and such inspection has confirmed their integrity for their intended purposes. Such inspection has also assisted the Declarant in estimating the useful lives and costs of replacement of such components.

The expected useful life of each structural component and major utility installation (as of February, 1994), together with the estimated cost (in current dollars) of replacing each of the same, is estimated in the Engineering Report included in this Public Offering Statement. Of course, since estimates of useful lives and replacement costs involve predictions of future events that are outside the control of the Declarant, no assurance can be given that the actual useful lives and replacement costs will be consistent with the estimates which appear in the Notes to the Budget.

## HAZARDOUS CONDITIONS; PEST CONDITIONS

The Declarant is in receipt of a "Phase I Environmental Site Assessment of Pier 3," dated February, 1993, and prepared for a former mortgagee of the Premises (the "Report"). The Report found no visible evidence of underground storage tanks, and the Declarant is not aware of the existence of any such tanks on the Premises. The ground floor of the Building contains three (3) transformers which, the Report concluded, were unlikely to contain PCBs because of their relatively recent installation. No friable asbestos was observed, and although the Report concluded that some asbestos containing materials may have been used under the existing roof and behind walls and doors, it further concluded that such material, if present, would not cause an exposure risk to nearby occupants unless the material were disturbed. The Report recommended no further asbestos investigation unless the Building roof, walls and/or floors are disturbed for renovation or demolition. According to the Report, Pier 3 has not been listed as a potential Superfund Site or as a violator of hazardous waste regulations. Declarant has no knowledge of any facts or information which would contradict that contained in the Report. A copy of the Report is available for inspection in Declarant's sales office. Further information concerning environmental conditions affecting the Premises may be obtained from the regional offices of the Pennsylvania Department of Environmental Resources, Southeast Regional Office, 555 North Lane, Conshohocken, PA 19428, Telephone (215) 832-6000 and the United States Environmental Protection Agency, 841 Chestnut Street, Philadelphia, PA 19107, Telephone (215) 597-9800.

Declarant has obtained a letter from Pest Control Technicians, Inc., dated February 22, 1994, indicating that a visual inspection of the Premises and a review of the log book maintained at the Premises revealed no indication of insect or rodent activity "having any bearing on the health and welfare of the occupants." A copy of such letter is available for inspection at Declarant's sales office.

## VOTING RIGHTS

The number of votes in the Association allocated to the Owner of each Unit shall be equal to the Percentage Interest of such Unit multiplied by 10,000. There are no provisions for cumulative or class voting.

## AMENDMENTS

This Public Offering Statement is subject to change without notice in order to reflect any material changes in the information set forth herein or otherwise required by the Act.

**ANY INFORMATION OR DATA REGARDING THE CONDOMINIUM NOT INCLUDED IN THIS PUBLIC OFFERING STATEMENT MUST NOT BE RELIED UPON. NO PERSON HAS BEEN AUTHORIZED BY THE DECLARANT TO MAKE ANY REPRESENTATION OR WARRANTY NOT EXPRESSLY CONTAINED HEREIN AND NOTHING IN THIS PUBLIC OFFERING STATEMENT MAY BE CHANGED OR MODIFIED ORALLY.**