

Condominium Information Statement

The following Condominium Information Statement for The Strand Lofts, A Condominium (the "Condominium") was prepared in accordance with the Texas Uniform Condominium Act (the "Act").

1. Declarant

The Declarant is SHF Strand, LP, a Texas limited partnership. Its principal address is 7 South Main Street, Alpharetta, Georgia 30009. The address of the Condominium is 2402 Mechanic Street, Galveston, Texas 77550.

2. General Description of the Condominium

The Condominium property consists of one building situated on approximately 04.472 acres with twenty (20) one-bedroom/one-bathroom Units, eight (8) loft-style Units, and nine (9) two-bedroom/one-bathroom Units. The property includes a parking deck. The maximum number of Units in the Condominium is thirty-seven (37).

3. Additional Units

The Condominium shall have no more additional Units.

4. Development Rights

The Declarant has not reserved the Development Rights to subdivide Units owned by Declarant. This is more fully described in Section 13.5 of the Declaration of Condominium.

5. Encumbrances

The Condominium property is subject to the following recorded instruments:

(a) *Agreement by and between Galveston Historical Foundation, Inc., and Robert A. Timme/Robert L.K. Lynch filed for record under Galveston County Clerk's File No. 8206058* – The Agreement is intended to protect and preserve historical sites and properties, and remains part of the property's title to ensure the building is maintained in the future. The Agreement requires the owner to maintain exterior surfaces and keep the building in a good state of repair. The Agreement restricts unauthorized changes to the property, such as demolishing or making any the exterior changes or additions without first reviewing the project with Galveston Historical Foundation, Inc ("GHF"). Additionally, the Agreement requires the owner to repair the condition and appearance of the property in the event of any damages or structural changes. Any plans or specifications for rehabilitation or modification of the building must be submitted to GHF for approval.

(b) *Lease by and between Network Multi-Family Security Corporation and Strand Venture Partners, LP, as evidenced by Memorandum filed for record under Galveston County Clerk's File No. 9508388* - To the best of Declarant's knowledge, the lease is no longer in effect and the services contemplated therein are not provided to the property.

The building encroaches into a City of Galveston Right-of-Way. The City granted a license to occupy, maintain, and utilize the encroachment area in that certain License to Use Agreement dated June 30, 1993 between the City of Galveston and C & C Real Estate Co. This Agreement was not recorded with the Galveston County Clerk. The term of said Agreement is twenty-five (25) years. Declarant makes no representations or warranties as to whether the City will agree to extend the term of said Agreement or the consequences of the City's failure to do so.

6. Warranties.

Declarant will assign or transfer any manufacturing warranties for appliances to the extent such warranties exist and are assignable or transferable. Declarant will not provide a warranty at closing. However, Declarant will purchase for the purchaser at closing a one year "Comprehensive Plus Plan" warranty from Fidelity National Home Warranty in substantially the same form as the warranty attached to the Condominium Information Statement. Declarant shall have no responsibility or liability for the obligations of the third party warranty provider under such warranty.

7. Unsatisfied Judgments/Pending Suits

To the best of Declarant's knowledge, there are no unsatisfied judgments or pending suits against the Association and no pending suits material to which the Association is a party or which are material to the land title and construction of the Condominium.

8. Insurance Coverage

(a) The Association shall utilize reasonable efforts to secure a blanket hazard insurance policy providing "all risk" coverage in an amount equal to full replacement cost, before application of deductibles, of all improvements located on the Condominium. If "all risk" coverage is not reasonably available at reasonable cost, the Association shall obtain, at a minimum, fire and extended coverage, including coverage for vandalism and malicious mischief, in like amounts. In addition, the Association shall obtain:

(i) worker's compensation insurance if and to the extent necessary to meet the requirements of law;

(ii) commercial liability insurance;

(iii) officers' and directors' liability insurance in such amounts as the Association's board of directors may determine;

(iv) fidelity bonds or employee dishonesty insurance coverage, if reasonably available, covering officers, directors, employees, and other persons who handle or are responsible for handling Association funds; and

(v) such other insurance as the board of directors may determine to be necessary.

(b) Unit owners are required to each obtain insurance covering those portions of his or her Unit not insured by policies maintained by the Association.

9. Fees

Except for the assessments to be levied against all Units in accordance with the Declaration and the Act, there are no current or expected fees or charges to be paid by Unit owners for the use of the common elements and other facilities related to the Condominium.

10. Condominium Documents

In accordance with sections 82.111(a)(5), 82.111(a)(6), and 82.154 of the Act, attached are copies of the following documents:

(1) Declaration of Condominium for The Strand Lofts, A Condominium (the "Declaration");

(2) Bylaws for The Strand Lofts Condominium Association, Inc.;

- (3) Certificate of Formation for The Strand Lofts Condominium Association, Inc.;
- (4) Estimated Initial Budget for The Strand Lofts Condominium Association, Inc.;
- (5) Declarant's Statement of Condition of Property;
- (6) Form of Warranty.

Purchasers shall not be required to sign any contracts or leases, other than loan documents, at closing.

The Strand Lofts Condominium Association, Inc.

Estimated Initial Unit Assessments

Unit Number	Percentage Interests	Monthly Assesments	Annual Assessments
100	2.79%	\$ 407.76	\$ 4,893.10
101	2.48%	\$ 362.45	\$ 4,349.42
102	2.52%	\$ 368.30	\$ 4,419.58
103	2.03%	\$ 296.68	\$ 3,560.21
104	2.64%	\$ 385.84	\$ 4,630.03
105	4.48%	\$ 654.75	\$ 7,857.02
200	2.42%	\$ 353.68	\$ 4,244.20
201	2.75%	\$ 401.91	\$ 4,822.95
202	1.95%	\$ 284.99	\$ 3,419.91
203	2.25%	\$ 328.84	\$ 3,946.05
204	2.74%	\$ 400.45	\$ 4,805.41
205	3.13%	\$ 457.45	\$ 5,489.39
206	2.63%	\$ 384.37	\$ 4,612.49
207	2.90%	\$ 423.84	\$ 5,086.02
300	2.42%	\$ 353.68	\$ 4,244.20
301	2.75%	\$ 401.91	\$ 4,822.95
302	1.95%	\$ 284.99	\$ 3,419.91
303	2.25%	\$ 328.84	\$ 3,946.05
304	2.74%	\$ 400.45	\$ 4,805.41
305	3.13%	\$ 457.45	\$ 5,489.39
306	2.63%	\$ 384.37	\$ 4,612.49
307	2.90%	\$ 423.84	\$ 5,086.02
400	2.42%	\$ 353.68	\$ 4,244.20
401	2.75%	\$ 401.91	\$ 4,822.95
402	1.95%	\$ 284.99	\$ 3,419.91
403	2.25%	\$ 328.84	\$ 3,946.05
404	2.74%	\$ 400.45	\$ 4,805.41
405	3.13%	\$ 457.45	\$ 5,489.39
406	2.63%	\$ 384.37	\$ 4,612.49
407	2.90%	\$ 423.84	\$ 5,086.02
500	2.42%	\$ 353.68	\$ 4,244.20
501	3.69%	\$ 539.29	\$ 6,471.52
502	1.95%	\$ 284.99	\$ 3,419.91
503	3.62%	\$ 529.06	\$ 6,348.76
504	2.74%	\$ 400.45	\$ 4,805.41
505	3.70%	\$ 540.76	\$ 6,489.06
506	2.63%	\$ 384.37	\$ 4,612.49
TOTAL	100.00%	\$ 14,615.00	\$ 175,380.00

The Strand Lofts Condominium Association, Inc.	
Initial Estimated Annual Budget	
Income	
Owner Assessment	
Member Assessment	\$175,380.00
Working Capital Contribution	\$29,230.00
Income Total	\$204,610.00
Expenses	
G & A	
Postage	\$250.00
Printing / Copies	\$500.00
Legal Fees - General	\$265.00
Property & Liability Insurance	\$36,245.00
Extended Liability (Umbrella) Insurance	\$3,300.00
D & O Liability Insurance	\$1,500.00
Flood and Wind Insurance	\$51,250.00
Accounting & Tax Services	\$500.00
Management Fees	\$7,200.00
Misc. General & Admin.	\$240.00
Building Exterior	
Misc. Building Exterior	\$4,500.00
Building Interior	
Fire Protection System/Alarm Monitor	\$800.00
Plumbing Maintenance	\$3,000.00
Elevator Maintenance Contract	\$3,000.00
Elevator Repairs	\$1,000.00
Building Pest Control	\$2,600.00
Misc. Building Interior	\$5,000.00
General Utilities	
Electricity	\$6,000.00
Telephone	\$1,200.00
Water & Sewer	\$17,800.00
Community Services	
Waste Removal Services	\$6,500.00
Janitorial / Cleaning - Amenities	\$4,000.00
Fitness Center	
Fitness / Gym Maintenance	\$1,192.00
Reserve Fund	
Contribution to Reserve Fund	\$17,538.00
Expense Total	\$175,380.00

NOTES:

- (1) This initial budget was prepared by Amy Heicher on behalf of the Declarant, SHF Strand, LP.
- (2) This budget is based on the assumption that all units will be 100% occupied and the inflation rate will be 4%.