

DISCLOSURE STATEMENT

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DISCLOSURE STATEMENT

"FRAME CRESCENT"

This Disclosure Statement is made in accordance with the requirements of the Condominium Act, R.S.O. 1990, Chapter c. 26 and amendments thereto and the Regulations made thereunder. As of October 12, 1994 the property is a proposed condominium by way of conversion and application for draft approval of the condominium plan has been submitted to and approved by The Corporation City of Elliot Lake. Approval to convert the subject property to a condominium has been given by the City of Elliot Lake pursuant to the provisions of the Rental Housing Protection Act, 1989.

A. DECLARANT

The name and municipal address of the Declarant and the proposed condominium are as follows:

Declarant: 1031466 ONTARIO INC.
3 Taylor Boulevard
Elliot Lake, Ontario
P5A 3T2

Proposed
Condominium: Parcel 6876 in the Register for Algoma East Section beind
Block B, Plan M-166, City of Elliot Lake, District of
Algoma and municipally described as 1-138 Frame Cescent,
Elliot Lake, Ontario P5A ____

B. GENERAL DESCRIPTION OF THE CONDOMINIUM PROJECT

Section 1 Buildings and Units

The proposed condominium is an existing townhouse development which was constructed on Block B, Plan M-166, City of Elliot Lake, District of Algoma. The proposed condominium is composed of:

9 buildings containing 6-2 storey units each
4 buildings containing 4-2 storey units each
6 buildings containing 5-2 storey units each
2 buildings containing 3-2 storey units each

on approximately 3.0861 hectares of land.

There are a total of one hundred and sixty-two (162) parking spaces and each unit owner will be entitled to one designated parking space per unit which space shall be designated by the board of directors of the condominium corporation and which shall not be an exclusive use common element. Each unit owner will be entitled to the exclusive use of a back yard area (most fenced) which includes an attached storage area as an exclusive use common elements.

The units are heated by gas and/or electric. All electric and gas utilities are individually metered.

It should be recognized by all Purchasers that the units being sold are approximately 17 years old and constitute used residential property. Accordingly, the need to upgrade and replace parts of the units will arise sooner than it would with newly constructed units.

Section 2. Recreation and other Amenities

There are no recreation amenities either existing or to be constructed. There is a playground area for children which will be part of the common elements of the condominium corporation and the existing playground equipment will become condominium property.

C. PORTION OF UNITS INTENDED FOR MARKET IN BLOCKS TO INVESTORS

The Declarant reserves the right to market units to investors, and presently intends to market up to 50% of the units in the condominium plan in one or more blocks to investors.

D. CONTRACTS WHICH MAY BE TERMINATED BY BY-LAW PASSED BY UNIT OWNERS

Forthwith upon registration of the declaration and description creating the condominium it is intended that the condominium corporation will enter into the following contracts:

1. Management Agreement with (to be determined), a copy of which is attached hereto as Schedule "6".
2. Insurance Trust Agreement with (to be determined) a copy of which is attached hereto as Schedule "7"; and
3. Contracts for such matters as refuse removal, snow clearing, sanding, landscaping, air-conditioning, security, maintenance, and pest control.

E. BRIEF NARRATIVE DESCRIPTION OF THE CONDOMINIUM DOCUMENTATION AND CONTRACTS OR LEASES SUBJECT TO TERMINATION OR EXPIRY UNDER SECTION 39 OF THE CONDOMINIUM ACT

The proposed condominium declaration, proposed by-laws No. 1 and 2 and the proposed rules governing the use of the common elements and units are included in Schedules "1", "2", "3", and "4" to this Disclosure Statement. A brief narrative description of the significant features of each is set out hereafter. Reference should be made to the documents for any additional information required as to their contents or for clarification of any of the significant features herein described.

Section 1 The Declaration

(a) Boundaries of Units

The monuments controlling the extent and location of the units are the physical surfaces as set forth in Schedule "C" of the declaration, subject to the exceptions therein set forth.

(b) Common Interest and Common Expense Allocation

The owner of each unit shall have an undivided interest in the common elements as tenant in common with all other owners and a similar proportionate interest or share in the assets of the condominium corporation and shall contribute to the common expenses in the proportions set forth opposite each unit number in Schedule "D" of the declaration.

(c) Specification of Common Expenses

Common expenses are the costs of performing the objects and duties of the condominium corporation. These are set out in Schedule "E" to the declaration. Common expenses shall also include each owner's required contribution to a reserve fund to be established for the major repair and replacement of the condominium's common elements and other assets. The assessment and collection of common expenses are regulated by the board of directors in accordance with the provisions of the declaration and by-laws.

(d) Use of Common Elements

Each owner has the full use, occupancy and enjoyment of the whole or any part of the common elements, except as otherwise provided in the declaration and except for "exclusive use common elements".

No owner is permitted to make any change to or installation upon the common elements, or maintain, decorate, alter or repair any part of the common elements, except for maintaining those parts of the common elements which he has a duty to maintain, without the prior written approval of the Declarant (pending completion of all sales in the overall project) and of the condominium

corporation in accordance with the Condominium Act.

(e) Exclusive Use Common Elements

The owner of each unit shall have the exclusive use of those parts of the common elements as set out in Schedule "F" of the declaration. The exclusive use areas include:

- (1) in the case of all units a back yard area immediately adjacent to the rear of the unit and in some cases fenced.
- (2) in the case of all units an attached storage area.

The condominium corporation has the right to enter upon any part of the common elements so designated for the exclusive use of the owner of a residential unit to carry out inspections, maintenance, repairs, additions, alterations or improvements thereto.

As at the date of registration of the declaration many of the exclusive use common areas used as yards have been partially or completely fenced. Owners will be permitted to construct fences along the common boundary of exclusive use common areas used as yards. All new and replacement fence construction shall require the prior approval of the board and in situations where abutting exclusive use unit owners cannot agree on the type, construction or repair of the fence, the decision of the board shall govern.

In those areas where the boundary of an exclusive use common area used as a yard does not abut a similar exclusive use common area, an owner shall be entitled to construct a fence either on or inside the said boundary, provided however that such fence shall require the prior written approval of the board. Notwithstanding that a fence may be constructed inside the said boundary as herein provided, the owner shall nevertheless remain responsible for maintenance, repair and upkeep of the entire exclusive use common area as provided in the declaration.

(f) Modification of Common Elements

(i) The condominium corporation may by a vote of members, who own eighty per cent (80%) of the units, make any substantial change in the assets of the corporation.

(ii) The condominium corporation may by a vote of the majority of the members make any other addition, alteration, or improvement to, or renovation of, the common elements, or may make any other change in the assets of the corporation.

(iii) The board of directors shall decide whether any addition, alteration, or improvement, or renovation of, the common elements, or any change in the assets of the corporation is substantial.

(g) Occupation and Use

Each unit shall be occupied and used for no purpose other than as a private single-family residence in accordance with the condominium's declaration, by-laws and rules. The Declarant shall be entitled to maintain sales offices, displays and signs in certain units and on the common elements until all units of the Declarant have been sold. No owner shall make any structural change or alteration in or to his unit or make any change to an installation upon the common elements, or alter or repair any part of the common elements, without the consent of the board of directors.

(h) Leasing of Units

No owner shall lease his unit unless a covenant obliging the tenant to comply with the condominium declaration, by-laws and rules (in the form prescribed by the declaration) is delivered to the corporation. A tenant who has been notified by the corporation that an owner is in default of payment of common expenses, is obliged to pay such common expenses and deduct same from the rent ordinarily paid to the owner. No owner is released from any of his obligations with respect to the unit as a consequence of any lease. No leasing on any short term or overnight basis shall be permitted and, in general, units may not be used in what is commonly known as a "Timeshare" set up.

(i) By-Laws

The corporation may, by vote of members who own the majority of the units make by-laws governing some aspects of the management and maintenance of the property and the assets of the corporation.

(j) First Meeting

Within three (3) months after the registration of the declaration the members shall hold their first meeting for the purpose of electing directors.

(k) Maintenance and Repairs

Each unit owner is obligated to maintain his unit, and subject to the provisions of the declaration, each owner is obliged to repair his unit after damage, all at his own expense. In addition, each owner is obliged to maintain certain parts of the common elements as specified in the declaration including, pipes, plumbing, fixtures and similar equipment which is for the sole benefit of his unit, including electrical wiring, cables, conduits, lines and connections which serve his unit and run from the fuse box to electrical outlets or fixtures in his unit, notwithstanding that any such pipes, plumbing fixtures, wiring, cables, conduits, lines or connections may in so doing run outside the surfaces or planes which otherwise define the unit boundaries. Specifically, each owner shall be required to maintain, repair and replace the heating unit including thermostatic control, the hot water heater which is leased from Centra Gas, electric baseboard heating, bathtub tiles and shower pans, ceiling and exhaust fans and fan motors located in the kitchen and bathroom areas, hot and cold water service piping serving his unit between the shut-off valve and the common elements and the unit boundary, all at his own expense.

The corporation shall at the cost of the owner make any repairs that the owner is obligated to make and that he does not make within a reasonable time.

The corporation shall repair and maintain the common elements, except the exclusive use common elements and except the exterior surface of all doors providing ingress to and egress from a unit, exterior glass, screen, patio doors, air-conditioning units and except repairs of a non-structural nature respecting enclosed yards, patios and walk-ways. The unit owners shall maintain and repair after damage, the exclusive use back yards and fences, as well as the doors to the storage area contained within the exclusive use back yard. The corporation shall repair the roof and exterior brick of the said storage areas.

(l) Insurance by the Corporation

The corporation shall maintain insurance for itself and the unit owners, on the units and common elements, against fire and major perils in the amounts sufficient to allow for the full replacement of the buildings. In addition, the corporation shall maintain public liability and property damage insurance, insuring the corporation against liability arising from breach of its duty as occupier of the common elements, or arising from its ownership or operation of machinery, equipment and motor vehicles. (The corporation's officers shall have the exclusive right to adjust any loss, settle any claims, and give releases as may be required, which shall be binding upon the affected unit owner.)

TANS. COVERS FIRE - IN # 106

THIS IS HIS OWN INSURANCE COVERAGE

The insurance to be maintained by the corporation does not include insurance on any improvements and alterations made by an owner to his unit including broadloom or carpeting installed by a unit owner or tenant, nor insurance on the contents of any unit, nor insurance governing the liability of any owner for occurrences within his unit. Each owner is cautioned to inquire as to the necessity of further insurance from his advisors.

** FURNISHING*

The corporation shall also maintain insurance indemnifying directors and officers of the corporation against any liabilities incurred by them in the execution of their duties provided that such insurance shall not indemnify directors and officers against liabilities incurred by them as a result of a contravention of Section 24(1) of the Condominium Act.

(m) Indemnification by Owners

Each unit owner agrees to indemnify the corporation against any liability or injury to any unit and the common elements as a result of any act or omission by such unit owner or his residents,

tenants and guests.

(n) Rights of Entry

The corporation or any insurer, or any other person authorized by the board of directors, shall have access to the units and exclusive use common elements at reasonable times for the purpose of making inspection, repairs, or corrections which violate the provisions of any insurance policy. In case of emergency, an agent of the corporation may effect entry at any time and without notice, for the purpose of repair or for the purpose of correcting any condition which might result in damage or loss to the property. The corporation or any one authorized by it may determine whether an emergency exists. Note that the corporation maintains either a master key or a key to each unit for the purpose of such entry.

(o) Declaration, By-Laws, Rules and Regulations

All present and future owners, tenants and residents of units, their families, guest, invitees or licensees, shall be subject to and shall comply with the provisions of the declaration, the by-laws, and any other rules and regulations of the corporation.

Section 2 Proposed By-Laws

(a) By-Law No. 1

The proposed by-law No. 1 of the condominium corporation establishes the administrative procedures to be followed in carrying out the functions of the corporation and are binding upon every unit owner. The proposed by-law indicate, among other things, how the condominium corporation will be organized and such things as how common expenses will be assessed from time to time and how assessments are to be collected.

Generally speaking, proposed by-law No. 1 establishes requirements for:

- (1) Holding of annual meeting of unit owners.
- (2) Providing unit owners with appropriate notice of the annual meeting.
- (3) Conducting annual meetings and special meetings which may be called from time to time by the board of directors.
- (4) Voting rights of owners of units.
- (5) Election of a board of directors and appointment of officers of the condominium corporation.
- (6) Assessing common expenses from time to time and collecting monthly common expense payments from unit owners.

The following should be specifically noted in the by-law.

(i) ARTICLE 4 - MEETING OF OWNERS

An annual meeting of all owners must be held at least every fifteen months for the purpose of electing directors, appointing auditors and affixing the auditors remuneration. The financial affairs of the corporation will also be reviewed at that meeting.

A special meeting may be called by unit owners holding at least fifteen (15%) per cent of the units by providing a requisition to the board of directors to call such meeting. At any meeting of owners a quorum shall be constituted when persons entitled to vote and owning not less than 33 1/3% of the units are present in person or represented by proxy at such meeting. There is only one vote per unit and if a unit is owned by more than one person, all persons must agree on the vote otherwise the vote is not counted.

(ii) DUTIES AND POWERS OF THE CORPORATION

The general duties of the corporation are to control, manage and administer the common elements and for that purpose the corporation may retain the services of a property manager. The corporation is also obligated to prepare an estimated budget each year; to employ and dismiss personnel for the maintenance and operation of the common elements; to invest reserve monies held by the corporation in an interest bearing account; and to establish and maintain adequate reserve funds for the major repair and replacement of the common elements.

(iii) ARTICLE 6 - BOARD OF DIRECTORS

The affairs of the corporation are managed by a board of three (3) directors and a quorum shall be two (2) directors. One director is elected for a one (1) year term, one for a two (2) year term and one for a three (3) year term. The unit owners elect directors. All directors must disclose any interest which they may have in contracts which the corporation enters into and the director must refrain from voting on the contract.

(iv) ARTICLE 9 - FINANCIAL STATEMENTS AND AUDITS

The financial year end of the corporation will be established by the first board of directors after registration of the declaration and the corporation is obligated to have an audit of its affairs conducted on an annual basis.

(v) ARTICLE 11 - ASSESSMENT AND COLLECTION OF COMMON EXPENSES

The board of directors is to prepare a budget and an assessment of common expenses and provide notice to each owner of the common expenses payable. Owners will be obliged to provide post-dated cheques for the common expense payments.

(vi) ARTICLE 12 - DEFAULT

If a unit owner defaults in payment of common expenses, interest is assessed at four (4%) per cent per annum above the prime rate of the corporation's bank which interest shall be payable, calculated and compounded monthly until the defaulting payment has been made. Additionally, the corporation may register a lien against the subject unit for the arrears of common expenses together with any costs associated with the collection of such arrears which includes agents and solicitor's fees. Ultimately, if the arrears and expenses are not paid after a notice of lien is filed, the corporation will be in a position to sell the subject unit for arrears of common expenses.

(vii) ARTICLE 14 - INSURANCE TRUSTEE AND PROCEEDS OF INSURANCE

The corporation maintains insurance on all of the units and common elements excluding furnishings and improvements to a unit made by an owner. In the event of damage, the proceeds of insurance are paid over to the corporation or the Insurance Trustee as the case may be for use and repair of damage or distribution. Each unit owner must maintain insurance on his unit furnishings, improvements and third party liability insurance.

(b) By-Law No. 2

Proposed by-law No. 2 is the borrowing by-law of the condominium corporation and describes the manner in which and the procedures by which directors may borrow money from time to time on behalf of the condominium corporation. A proviso is included in this proposed by-law that any borrowing which would result in an aggregate borrowing of more than Five Thousand (\$5,000.00) Dollars, shall require the approval of the owners owning a majority of the units at a meeting called for that purpose.

Section 3 Rules and Regulations

The rules governing the use of the common elements and units are made for the purposes of promoting the safety, security and/or welfare of the owners and/or for the purpose of preventing unreasonable interference with the use and enjoyment of the common elements and of other units.

Unit owners may at any time amend or repeal one or more of the rules at a meeting of the owners duly called for that purpose. At the meeting new rules may be passed or existing rules may be amended or repealed by a vote of the majority of the unit owners at the meeting in person or by proxy. The Rules, among other things, govern and restrict the placing of signs, advertisements and notices on the inside or outside of dwelling units and the common elements, restrictions on parking of vehicles and types of vehicles permitted, and restrictions on constructing a television antenna, aerials, towers, or similar structures on the common elements or a unit, and restrictions on pets in the units or on the common elements.

Section 4 Contracts and Leases Subject to Termination Under Section 39 of the Condominium Act

(a) Management Agreement

The condominium will enter into a management agreement (the "Agreement") with (to be determined) (the "Manager") pursuant to which the Manager will be the exclusive representative and managing agent of the corporation, for a period of one (1) year from the date of registration of the corporation. The duties of the Manager are fully set out in the Agreement, and include, among other things, the enforcement of the terms of the condominium's declaration, by-laws and rules; the collection of common expenses; the repair and maintenance of common elements; and the keeping of accounts of all financial transactions involved in managing the condominium corporation. The annual budget shall constitute the major control under which the Manager shall operate, and there shall be no substantial deviations therefrom, excluding such expenses as insurance and other costs not within the control of the Manager, except as may be approved in writing by the board of directors. No expenses may be incurred for commitments made by the Manager in the name of the corporation in connection with the maintenance and operation of the property in excess of the amounts allocated to the various classifications of expense in the approved budget except where an emergency situation exists. The Manager shall be entitled to payment for its managerial services equal to \$8.00 per residential unit per month during the term of the Agreement. Except in the case of negligence, fraud or willful misconduct on the part of the Manager or its agents, the corporation will indemnify the Manager from any liability arising out of any damage or injury to persons or property in any way connected with the corporation or arising from the payment or non-payment of accounts incurred by or on behalf of the condominium.

Either party may, at its option, terminate the Agreement upon sixty (60) days written notice to the other, without cause, and upon the expiration of the said sixty (60) days, the Manager shall surrender to the corporation all contracts, records, files and other documents or other information which may be pertinent to the continuing operation of the property and the corporation shall pay to the Manager any monies due to it as of the date of termination.

(b) Insurance Trust Agreement

The corporation will enter into an agreement with (to be determined) (the "Trustee") pursuant to which the proceeds of the corporation's insurance, in excess of \$10,000.00 on any one loss or claim, will be payable to the Trustee. The Trustee will then disburse such proceeds towards the cost of repairing any damage to the condominium property as the repairs progress, upon submission of work progress certificates setting forth, among other things, the amounts due to those persons rendering services or furnishing materials for repairs.

The corporation shall pay to the Trustee an annual retainer fee of \$200.00 for the first year following registration of the condominium, or such fees as is then applicable.

The insurance trust agreement will commence upon the registration of the corporation, and shall run for a period of twelve (12) months thereafter, whereupon in the event that a new board of directors has not been elected by the unit owners at the turn-over meeting, then such insurance trust agreement shall be renewed for a further twelve (12) month period, upon written notice delivered by the corporation to the Trustee requesting the renewal of same.

When a new board of directors has been elected at the turn-over meeting, then the insurance trust agreement shall terminate at the end of the twelve (12) month period during which such turn-over meeting was held, unless same is ratified by the new board of directors. If ratified as aforesaid, the insurance trust agreement (or any renewal thereof) shall continue automatically on an annual basis until sixty (60) days after the corporation delivers written notice to the Trustee of its desire to terminate the agreement. If the insurance trust agreement is not ratified as aforesaid, then the new board of directors shall forthwith cause the corporation to enter into a new insurance trust agreement with another trust company or other firm qualified to act as insurance trustee, so that an insurance trust agreement will at all times be in existence and maintained by the corporation.

F. BUDGET STATEMENT FOR THE FIRST YEAR AFTER REGISTRATION

The budget statement for the corporation is set out in Schedule "5" to this Disclosure Statement.

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DATED: _____ 19 _____

FRAME CRESCENT

DISCLOSURE STATEMENT

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