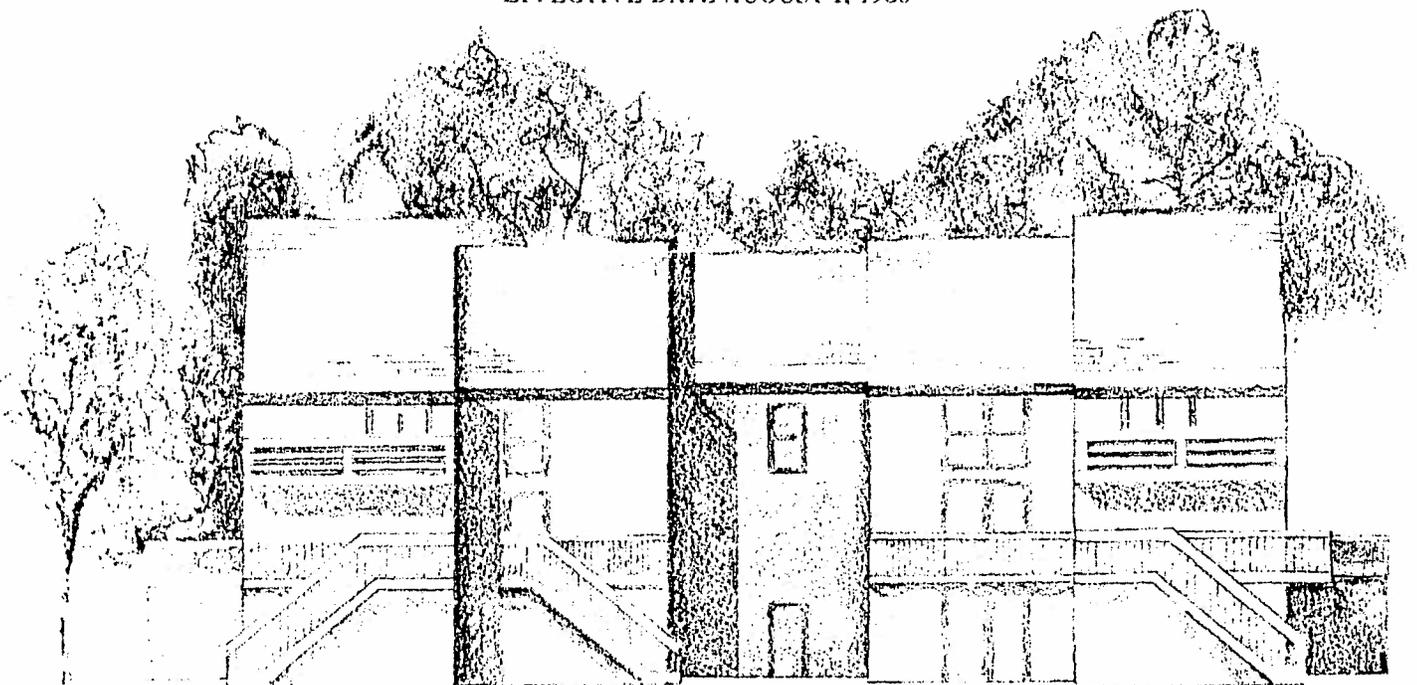


HERITAGE PARK

EFFECTIVE DATE AUGUST 1, 1980



287 NORTH VAN BUREN STREET, ROCKVILLE, MARYLAND 20850 — 251-0155

Heritage Park Cooperative

Attractive piggyback townhouse units are becoming available in the heart of the City of Rockville, one block off of North Washington Street in the Heritage Park Cooperative.

Heritage Park Cooperative is a special program created with the assistance of the U.S. Department of Housing & Urban Development and the Community Development Administration of the State of Maryland Department of Economic and Community Development. There are certain income requirements whereby you can qualify for a lower-than-cost monthly housing charge. If your family size and income falls under the maximum, you will pay only one-fourth of your gross income for housing.

Through the cooperative you can, with a relatively small downpayment, become a shareholder in the corporation which owns your dwelling. After the downpayment, you will pay a monthly carrying charge, depending on your family size and income, up to a maximum of \$451 to \$544 per month, according to the size of your dwelling plus the costs of your utilities. Under the provisions of the Section 8 program, qualifying families pay no more than 25% of their adjusted income toward their housing expense. The difference between the monthly carrying charge of \$451 to \$544 and 25% of adjusted income will be paid by the Federal Government.

Heritage Park Cooperative is composed of 65 stucco and wood-trim townhouses, with 52 two bedroom units and 13 three bedroom units in five buildings.

Some Features of the Homes

- Modern kitchen, including
 - 30" gas range
 - 14 cu. ft. refrigerator
 - kitchen exhaust fan
 - garbage disposal
 - stainless steel sink
- Energy saving gas forced air heating and electric air-conditioning
- Smoke detectors
- Batt type R-30 roof insulation and R-21 foil faced fiberglass batt insulation in the exterior frame walls and R-13 two layers each of one (1) inch thick rigid insulation on the exterior block walls
- Individual gas hotwater heater
- Modern bath-with exhaust fan—and all 2BR "C" and 3BR "D" units have a powder room on the first floor
- Private courtyards, terraces or balconies
- Coin-operated laundry facilities

How Do I Apply for One of These Townhouses?

Simply fill out an application at the Heritage Park Information Center. A total deposit of \$100 will reserve the unit of your choice. This includes a \$50 processing fee, which is not refundable. Your credit and qualifications will be checked on a confidential basis.

Before you move in, you must pay the balance of your membership fee in the Heritage Park Cooperative. (The \$50 paid on

the initial application applies towards this total membership fee). The fee totals according to unit size presently are:

- 2 BR—"A"—\$1,135
- 2 BR—"B"—\$1,158
- 2 BR—"C"—\$1,238
- 3 BR—"D"—\$1,296

When you move in, you begin paying a monthly carrying charge which will be approximately 25% of your gross monthly income, if you qualify under the current income limits and other criteria set by the U.S. Department of Housing and Urban Development for the special program. In addition, you will pay your own electric bill and gas bill, which includes your heating costs. The Cooperative will pay for your water consumption.

What Am I Buying?

You are buying a share in a cooperative, the organization which owns the property and development in which you will be living.

A cooperative is a business owned by the people who use it. You may belong to a credit union or mutual insurance company; these are cooperatives. In the Heritage Park Cooperative, the business is the operation of the house you live in. As a member, you get an equal vote in the corporation which has title to the property, along with the other residents. The residents elect directors, who establish standards to keep the community—that is, the homes the cooperative owns—a pleasant place in which to live.

In one way, living in a cooperative is like renting. You make one payment a month, and don't have to worry about payments for insurance, taxes, mortgage payment or maintenance.

In another way, it is like owning a house. For your membership can regularly increase in value. (Refer to the section in the by-laws on transfer value for full details.) If you move out of the cooperative, the cooperative has first option to purchase your membership. You receive back your membership fee (less any obligation you owe the cooperative), plus your accumulated equity increase.

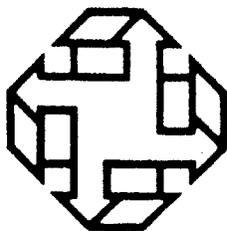
Who Maintains the Property?

The board of directors (it represents the residents) sets maintenance standards and retains a professional property management firm to supervise the maintenance staff. Except for interior redecorating to your own taste, your home is maintained for you. Complete exterior care includes structural repairs, lawn and shrubbery care, and outside painting.

Major interior repairs include routine handyman work, maintenance of plumbing and electrical systems, and structural repairs and replacements.

What Are Some of the Extra Advantages of Living in a Cooperative?

- The charge to you is no more than the actual cost of owning and maintaining the building. Nothing is added for profit.
- Owner-occupants derive the benefits as members of the housing cooperative.
- That portion of your monthly occupancy charges for real estate taxes and mortgage interest may be deductible in federal and state income taxes.



MULTI FAMILY HOUSING SERVICES, INC.

518 NORTH CHARLES STREET • BALTIMORE, MARYLAND 21201
(301) 659-6966

Dear Subscriber:

We take pleasure in welcoming you to Heritage Park which is the public name for the Cooperative project which is owned by Dawson Adams Mutual Homes, Inc., of which you are a member.

The cooperative ownership community in which you reside is the result of a program financed with the assistance of mortgage insurance issued by the United States Department of Housing and Urban Development ("HUD"), housing assistance payments from HUD, and tax-exempt financing provided by bonds issued by the Housing Authority of the City of Rockville. Multi Family Housing Services, Inc., is acting as marketing agent for cooperative dwelling units. Through the cooperative approach, the members of Dawson Adams Mutual Homes, Inc. will be able to work together to create a true community. The success of this common endeavor depends on the interest and participation of each of you.

On behalf of the Directors of the Cooperative, American Housing, Inc., has prepared this book, The Cooperative Plan, which contains the documents which will enable your cooperative to operate.

You are asked to read it thoroughly and become familiar with its provisions. If you have questions, please call us. Your participation and support of the cooperative will make Heritage Park a fine place to live

Cooperatively yours,

HERITAGE PARK

By: Multi Family Housing Services, Inc.
Cooperative Servicing Agent

By: C. P. Behringer

Tel. No.: 659-6966

OPERATION OF HERITAGE PARK PRIOR TO
QUALIFICATION AS A COOPERATIVE HOUSING DEVELOPMENT

Heritage Park will initially be operated as a nonprofit rental development during the period of construction and until the cooperative meets all of the HUD requirements to qualify as a cooperative housing development.

Therefore, before moving into your unit, you will be asked to execute certain documents. These documents will enable you to occupy the unit as a tenant on an interim basis as well as enable you to become a member of the Cooperative when Heritage Park qualifies as a Cooperative.

First, you will execute a Subscription Agreement to the Cooperative and pay the Subscription Price. Prior to occupancy you will execute an Interim Lease as a tenant, an Occupancy Agreement to the Cooperative (to become effective after final closing of the Cooperative) and pay the Initial Payment under the Occupancy Agreement. The Interim Lease will be effective upon occupancy. However, the Subscription Price and Initial Payment under the Occupancy Agreement shall be held in escrow by Dawson Adams Mutual Homes, Inc. subject to final closing as a Cooperative.

At such time as Heritage Park becomes a Cooperative, the Interim Lease will terminate. Dawson Adams Mutual Homes, Inc. will issue you a Membership Certificate, and the Occupancy Agreement shall be in effect. The Subscription Price and Initial Payment under the Occupancy Agreement paid by you will be released from the escrow account and transferred to the Cooperative.

HERITAGE PARK
INFORMATION BULLETIN

A SUMMARY OF FACTS ABOUT THE
COOPERATIVE HOUSING COMMUNITY
TO APPLICANTS FOR MEMBERSHIP IN
DAWSON ADAMS MUTUAL HOMES, INC.

1. INTRODUCTION

A subscription for membership in a housing cooperative is more than an application for a place to live. It leads to your participation in the cooperative ownership and operation of your community. There has been a sharp increase in cooperative ownership of housing in the United States during recent years. Much of this increase in cooperatively-owned homes has been attributed to cooperatives whose mortgages have been insured by the United States Department of Housing and Urban Development ("HUD"). The reasons for this increase in popularity of cooperatives in the housing field are many and varied. The cooperative approach to housing instills a pride of ownership resulting in a deeper interest in maintaining the property and participating in civic affairs. A cooperative is operated on a democratic basis. It gives the resident a greater insight and appreciation of the democratic process in general. Cooperative residents normally occupy their dwelling units for longer terms than renters. The members thus become better acquainted with their fellow residents and learn to work together for the overall betterment of the community. This working together makes for better understanding between individuals of different backgrounds and income levels.

Cooperative housing offers the following financial benefits:

- (a) The absence from the monthly housing cost of the owner's profit inherent in most rental projects.
- (b) Tax benefits as described later in this bulletin.

- (c) Rental schedules usually include a significant allocation for vacancy loss. In a cooperative, the monthly charges include only a 2% vacancy loss reserve, as hereinafter provided; plus such additional income losses, if any, as have actually been incurred.
- (d) Maintenance costs in a well-operated cooperative are minimized since experience has shown that owners take better care of their property. Cooperative members frequently handle the redecoration of their units on a "do it yourself" basis, thus eliminating this as a cooperative expense.
- (e) A cooperative is operated on a not-for-profit basis. Thus, increases in the monthly housing cost are limited to actual increases in operating costs.
- (f) If a cooperative is successfully operated, a modest equity increase upon resale may result, subject to limitations set forth in the By-Laws.

Dawson Adams Mutual Homes, Inc. will enter into a Housing Assistance Payment Contract which provides that the Secretary of HUD will pay a portion of the Monthly Carrying Charge for 20 years on behalf of qualified members pursuant to Section 8 of the United States Housing Act of 1937, as amended. Special income and other limitations are applicable to recipients of Section 8 Assistance Payments.

This Bulletin is intended to provide general information concerning Heritage Park which will be found useful when read in conjunction with the Articles of Incorporation, By-Laws, Regulatory Agreement, Occupancy Agreement, Subscription Agreement and Cooperative Agency Agreement, copies of which are included in the Documents Brochure.

The Subscription Agreement is the document in which you apply for membership in the Cooperative; the Occupancy Agreement describes the terms and conditions under which you will occupy one of the dwelling units therein; the

Articles of Incorporation and By-Laws set forth the authority and methods of operation of the Cooperative; the Regulatory Agreement is the agreement by the Cooperative to be regulated and restricted in certain respects by HUD as provided by law; and the Cooperative Agency Agreement provides that American Housing Group, Inc., for the considerations and under the terms recited therein, shall furnish the Cooperative with certain necessary services in the organization and development of the cooperative program. It is strongly urged that you read these documents.

2. METHOD OF OPERATION AS A COOPERATIVE COMMUNITY

The Cooperative is incorporated as a not-for-profit non-stock corporation for the purpose of acquiring, owning and operating a housing development to provide cooperative housing and related community facilities, the permanent occupancy of which will be restricted to members of the Cooperative. If your subscription is approved by HUD and accepted by the Cooperative, you will become a member of the Cooperative. Each member of the Cooperative, regardless of dollar amount of his/her investment, will have one vote. The Cooperative will deliver to you the membership certificate representing your interest in the Cooperative not later than the time of final mortgage closing as a Cooperative, provided your Subscription Price and Initial Payment under the Occupancy Agreement have been paid in full in accordance with the terms of the Subscription Agreement. Prior to such closing as a Cooperative, Dawson Adams will be operated as a non-profit rental development.

The affairs of the Cooperative will be conducted by a Board of Directors elected as provided in the By-Laws. Until their successors have been elected, and have taken office, the Board of Directors will consist of the following named individuals:

JOHN H. PETTIT

President of Pettit & Griffin, Inc.; Builder and Developer in Montgomery and Prince Georges Counties; former President of the Suburban Maryland Home Builders Association and Metropolitan Washington Builders Association; Chairman of the Board of Friendship Savings and Loan Association; Member of Advisory Board of University National Bank.

ROBERT W. LANHAM

Private Planning Consultant; Former Director of Department of Community and Economic Development of Montgomery County, Maryland; Former Director of Planning for City of Rockville.

PATRICK O'BROYLE MAIER

Planner, Office of Housing, Montgomery County Government; Member of City of Takoma Park Master Plan Advisory Committee; Chairman of Sub-Committee on Non-Conforming Uses.

The first annual membership meeting shall be held in accordance with the By-Laws on June 1, 1981, or at such later date as may be established by Resolution of the Dawson Adams Board of Directors.

One of the most important functions the members will be called upon from time to time to perform is election of qualified Directors. The Mayor and Council of Rockville and American Housing, Inc., each have the right to elect one of the five (5) Directors to the Board of Directors. The Cooperative functions through its Board of Directors, which acts on behalf of the members. The Board performs important duties such as engaging a management agent acceptable to the mortgagee, HUD, and the Mayor and Council of Rockville for the operation of the

development; establishing eligibility standards for admission to membership; determining the degree and type of maintenance services; promulgating rules and regulations pertaining to use and occupancy of the premises; and adopting an operating budget, which must reflect monthly housing charges adequate to meet the cost of operation. (The operating budget and the appointment of the management agent are also subject to the approval of HUD, the Mayor and Council of Rockville and American Housing, Inc.) Thus, the voting right means that each member participates through his/her elected representatives in the management of the Cooperative's affairs. Each member should bear in mind that the management agent takes its' assignments from the President of the Board of Directors, speaking for the Board and not from individual members. The elected Board of Directors should receive the full support of all the members. Full support does not preclude constructive criticism. If necessary, any Director elected by the members who is not properly fulfilling his duties may be removed by a vote of the members as prescribed in the By-Laws.

3. GENERAL ADVISORS TO THE COOPERATIVE

The role of American Housing, Inc. throughout the development of Dawson Adams is to:

- (a) provide technical and planning assistance for the development;
- (b) act on behalf of the future cooperative members;
- (c) arrange for construction financing and permanent financing, and;
- (d) retain an on-going interest in the Cooperative through the By-Laws and other documents.

Marketing Agent: The Cooperative has signed a Cooperative Agency

Agreement with American Housing Group, Inc., 5550 Friendship Boulevard, Suite 290, Chevy Chase, Maryland 20015. This agreement provides that American Housing Group, Inc., for the considerations and under the terms recited therein, shall furnish the Cooperative with certain necessary services in the organization, development and sales program of the Cooperative.

Independent Legal Counsel: Krooth and Altman, 2101 L Street, N.W., Washington, D.C. 20037, will act as general counsel for the Cooperative.

4. FINANCING THE COOPERATIVE HOUSING PROJECT

The funds provided by the payment of your Subscription Price and your initial payment under the Occupancy Agreement, and those of other members, will constitute the equity investment. These funds are intended to furnish the cost of acquiring the land and constructing the housing development over and above the mortgage (Deed of Trust) loan proceeds, if necessary, and to provide working capital funds in the amount of 2% of the mortgage as required by HUD and the By-Laws. Dawson Adams is constructing the cooperative dwellings by the use of construction funds which are borrowed from the mortgagee, Riggs National Bank. Riggs National Bank is both mortgagee and also trustee for the holders of the notes and bonds sold by the Housing Authority of the City of Rockville to provide financing for this development. In order to provide construction funds, the Housing Authority of the City of Rockville borrowed \$3,305,000. by issuing its tax exempt construction loan notes at an interest of 7.25% per annum. These notes are due on November 1, 1982. The Housing Authority of the City of Rockville has also obtained funds for a permanent, approximately 40-year loan to the Cooperative through the issuance of the Housing Authority's tax exempt revenue bonds in the

sum of \$3,580,000., which includes an interest reserve fund, at an interest rate of 7.375% per annum. The estimated cost as indicated by the anticipated mortgage amount, plus the amount scheduled to be collected from the members (exclusive of working capital requirements) equals the amount listed in the table below. HUD for its own purposes in determining the maximum insurable mortgage amount has estimated the replacement cost as shown in the table below:

<u>Estimated Mortgage Amount</u>	<u>Estimated Cost</u>	<u>FHA Estimated Replacement Cost</u>
\$ 3,303,500.00	\$ 3,315,553.00	\$ 3,315,553.00

The Cooperative's members are in effect their own landlord. They pay monthly housing charges to their Cooperative in accordance with the Occupancy Agreement. The Cooperative Corporation holds title to the property and executes the mortgage. The individual member signs no note or mortgage and has no personal obligation thereunder.

5. FUNCTION OF HUD IN CONNECTION WITH THIS DEVELOPMENT

If the terms of the HUD Mortgage Insurance Commitment are complied with HUD under Section 221(d)(3) of Title II of the National Housing Act, will insure the lending institution against loss by reason of any default of the Cooperative in its obligations under the mortgage. HUD as insurer of such mortgage (Deed of Trust) loan does not insure a member of the Cooperative against loss. The amounts paid by an applicant for his/her membership subscription will be handled in accordance with the provisions of the By-Laws. Such funds will not be deposited with or be otherwise under the control or responsibility of HUD.

While HUD is authorized to furnish technical advice and assistance to sponsoring groups in the organization of cooperatives, such advice and assistance are of an advisory nature only. HUD does not select the contractor, is not a party to the construction contract, and does not act as the architect of the Cooperative. During the construction period HUD assigns inspectors for the purpose of determining that the development is an acceptable security for the insurance liability assumed under the insurance contract with the lending institution.

As described in more detail in paragraph 11 below and in the Regulatory Agreement between the Cooperative and HUD, HUD will make monthly payments to the Cooperative totaling the gross monthly assistance provided to the member under Section 8.

6. CONSTRUCTION AND OTHER CONTRACTS FOR THE DEVELOPMENT

The construction of the development is being performed by Foulger-Pratt Construction, Inc., One Bank Street, Gaithersburg, Maryland 20760, the General Contractor. The performance of the contract by the general contractor has been assured in such a manner as is acceptable to the Cooperative, the mortgagee, and HUD. This assurance is in the form of Performance and Payments Bonds in the sum of \$628,423. each. All construction must meet local building code requirements and be acceptable to the Cooperative, the mortgagee, and HUD.

Some units will be available as early as Fall 1980, with completion of construction anticipated, but not guaranteed, by the end of 1980. While it is in the interest of all concerned to complete the development as speedily as possible, in any construction operation there are many factors which may bring about delays. You will be given a thirty (30) day notice of the date when your dwelling unit will be available for occupancy.

The Directors of the Cooperative have authorized, and its officers have and will execute and perform such agreements and documents as they find necessary or deem advisable for: the construction of the development and related facilities, purchase of the land, architectural design and supervision; development of the Cooperative and services thereof; Note; Mortgage; Building Loan Agreement; Regulatory Agreement; Cost Certification Agreement; acceptance or granting of easements; and other instruments required to enable the Cooperative to obtain a HUD insured mortgage loan, complete the development and otherwise carry out the purposes of the Cooperative. The Note and Mortgage may be increased under certain circumstances, if HUD approves and the Cooperative may execute documents reflecting such changes. The Cooperative has also entered into a Management Agreement with Dreyfuss Brothers, Inc., a managing agent approved by HUD and the Mayor and Council of Rockville. The Agreement is on a form approved by HUD and provides that the management agent, under the terms recited therein, shall furnish the Cooperative with certain necessary managerial services. The initial management fee will be payable monthly in an amount equivalent to a minimum of \$400. or \$10. per occupied dwelling unit, whichever is greater.

7. LOCATION OF THE COOPERATIVE HOUSING COMMUNITY

Dawson Adams Cooperative is located on a site at Dawson and Adams Streets, Rockville, Maryland, about one block off Washington Street in the heart of downtown Rockville. Schools, houses of worship, shopping centers and other institutions serving the area presently include:

SCHOOLS

West Rockville Elementary School - Grades K - 5
451 Beal Avenue, Rockville, Maryland

Julius West Middle School - Grades 6 - 8
651 Falls Road, Rockville, Maryland

Richard Montgomery High School - Grades 9 - 12
250 Richard Montgomery Drive, Rockville, Maryland

HOUSES OF WORSHIP

Beth Messiah Synagogue, Beth Tikva Synagogue, Christ Episcopal Church, Christian Science Society, Church of Christ at Manor Woods, Church of Christ, Rockville, Church of God, Church of Jesus Christ of Latter Day Saints, Clinton A.M.E. Zion Church, Crusader Lutheran Church, First Baptist Church of Rockville, First Church of God, Francis Asbury Methodist Church, Free Methodist Church, Halpine Baptist Church, Har Shalom Congregation, Interdenominational Church of God, Jehovah's Witnesses, Jerusalem United Methodist Church, Korean Baptist Church of Washington, Lutheran Church of the Cross, Mt. Calvary Baptist Church, Rockville Assembly of God, Rockville Christian Church, Rockville Presbyterian Church, Rockville United Methodist Church, Rockville United Church, Seventh Day Adventists-Rockville, St. Elizabeths Catholic Church, St. Marys Roman Catholic Church, St. Patricks Rectory, St. Raphaels Roman Catholic Church, Trinity Baptist Church, Trinity Methodist Church, Twinbrook Baptist Church, Unitarian Church of Rockville.

SHOPPING CENTERS

The Commons, Court House Square, Rockville, Maryland; Congressional Plaza Shopping Center, 154 Congressional Lane, Rockville, Maryland.

TRANSPORTATION

A proposed Metro Station and Ride-On Bus service is planned to encircle the downtown area and stop a stone's throw from the site. Metro Bus service now serves the area.

MEDICAL SERVICES

Shady Grove Adventist Hospital, 9901 Medical Center Drive, Rockville, Maryland;
Montgomery General Hospital, 18101 Prince Phillip Drive, Olney, Maryland;
Holy Cross Hospital of Silver Spring, 1500 Forest Glen Road, Silver Spring, Maryland;
Suburban Hospital, 8600 Old Georgetown Road, Bethesda, Maryland. Other private
clinics and professional offices providing medical services are located in the
Rockville and Montgomery County area.

8. DESCRIPTION OF STRUCTURES

The project is located in the heart of the City of Rockville, bordered
by single family housing on the north, south and west, and commercial on the east.
The complex is a blending of 65 piggy-back townhouse units with the adjacent 100
unit seven story mid-rise building for elderly which is named Heritage House.

The planning form is gently blended with the surrounding community by
the placement of the townhouse units on the borders adjacent to the existing single
family community. The mid-rise is located adjacent to the more compatible
commercial structures.

The concept of defensible space has played a major role in shaping the
plan. Emphasis has been placed on direct access to all buildings by car and bus;
high visibility into courts and buildings from vehicular areas; separation of
family units from the elderly by space and modes of circulation; and development
of a sense of territoriality with building scale and private spaces.

Circulation has been well defined into pedestrian and vehicular by
locating cars on the site perimeter and developing pedestrian pathways within the
site interior. Traffic has been further subdivided into separate traffic patterns
for the mid-rise from the piggy-back townhouses. The buildings have been designed

to create well-built, well-planned, housing for family uses. The townhouses incorporate private, semi-private spaces, individual entrances, and distinctive exterior facades creating a strong sense of identity. All units will have individual patios or decks.

The 65 stucco and wood-trim townhouse units containing 52 two bedroom and 13 three bedroom units utilize the "piggyback" design concept. This means that one townhouse unit sits on top of another unit. The townhouses are grouped in 5 buildings, containing 13 units each. All homes will be equipped with gas ranges, electric refrigerators, air conditioners, kitchen exhaust fan, garbage disposals, and smoke detectors. There will be coin-operated laundry facilities on the property. The homes are fully insulated with R-30 batt type insulation in the ceilings and R-21 foil faced fiberglass batt insulation in the exterior frame walls and R-13 two layers each of one (1) inch thick rigid insulation on the exterior block walls

9. COMMUNITY FACILITIES

Community facilities will be constructed in conjunction with the development of the property. The facilities will be owned and operated jointly by the Cooperative and the mid-rise and will serve the cooperative members and the mid-rise tenants. The cost of operating and maintaining the facilities will be shared by the mid-rise and the cooperative. The cooperative's share is included in the cooperative's budget, on which the monthly housing charges are predicated. The community facilities are all located in the open area adjacent to townhouse buildings 1 and 2 which is on the property owned by the mid-rise and consist of sitting areas with benches, log climbing apparatus, swing, slide and sand box.

There exists a mutual easement between the cooperative and the mid-rise for the use of the open area and community facilities.

10. OWNERSHIP OF REAL ESTATE

The land upon which the development will be built consists of an area approximately 3.725 acres in size, in which the corporation owns a fee simple estate subject to a mortgage as hereabove mentioned. Inasmuch as this is to be a Cooperative community, title to the property will be held by the corporation and not by the individuals who are members of the corporation.

(REFER TO SCHEDULE ON NEXT PAGE)

SCHEDULE OF SUBSCRIPTION PRICES AND INITIAL PAYMENTS UNDER OCCUPANCY
AGREEMENT AND MONTHLY HOUSING CHARGES FOR EACH TYPE DWELLING UNIT

(Charges shown are estimates made in May 1980 based on full occupancy and are subject to change based on conditions prevailing when occupancy begins.)

(1) DWELLING UNIT DESIGNATION	(2) VALUE ALLOCATED TO UNIT BY SPONSORSHIP	(3) PROPORTIONATE FACTOR OF UNIT VALUATION TO TOTAL VALUATION	(4) TOTAL OF MEMBERS \$100. SUBSCRIPTION PRICE & INITIAL PAYMENT UNDER OCCUPANCY AGREEMENT	(5)* ESTIMATED INITIAL MONTHLY CHARGE TO BE PAID TO COOPERATIVE	(6)* ESTIMATED MONTHLY PERSONAL BENEFIT EXPENSE	(7)* ESTIMATED TOTAL MONTHLY HOUSING EXPENSE
2BR "A"	\$ 49,200.	.14476	\$ 1,135.	\$ 451.	\$ 50.	\$ 501.
2BR "B"	50,000.	.14772	1,158.	451.	50.	501.
2BR "C" w/1½ baths	53,500.	.15804	1,238.	471.	50.	521.
3BR "D" w/1½ baths	56,000.	.16544	1,296.	544.	60.	604.

*NOT TO EXCEED 25% OF INCOME OF ELIGIBLE HOUSEHOLDS.

These dollar amounts may be increased if the maximum insurable mortgage is increased with the approval of HUD because of increased allowable cost of Dawson Adams.

11. TOTAL VALUATION

Of the amount shown in Column 4, the Subscription Price of \$100. is paid under the Subscription Agreement, while the balance represents the Initial Payment under the Occupancy Agreement. The Initial Payment shall be paid prior to or simultaneously with signing the Occupancy Agreement and entering into occupancy under an interim lease and is a condition to the execution of the Occupancy Agreement.

To bring the monthly housing charges down to a level which low and moderate income families can afford, HUD will make assistance payments to the Cooperative each month which will constitute the difference between a portion (but not more than 25%) of the adjusted family income paid by the member as monthly carrying charges, and the actual monthly charge for the unit. The exact amount in each instance will depend upon family size and adjusted income of the subscriber. This amount will be made known tentatively to each subscriber after processing by the Cooperative's sales agent, but the figure is subject to approval by HUD as indicated in the Subscription Agreement.

Since the formula used to compute the individual housing charge for each assisted member is based on the member's income, the income must be certified prior to occupancy, and it must be recertified every year for families, or every two years for elderly families and the carrying charges of the member adjusted, where appropriate, at such intervals. If a subscriber desires to pay a larger downpayment than listed in Column 3 and have his monthly charges proportionately reduced, he may do so; FHA form 3232-B should be used for this purpose.

Dreyfuss Brothers, Inc., retained by the Cooperative pursuant to the Management Agreement, and which is independent of the general contractor and the

marketing agent and landowner, has made a study of the foregoing projections and has submitted its written opinion to the effect that the estimated monthly housing charges set forth above will be adequate to meet all expenses for the first year of operation based on costs reasonably foreseeable as of August 13, 1979, the date of its opinion. The detailed Operating Budget on which these monthly housing charges are predicated may be examined by prospective members at the address listed at the end of this bulletin.

Column 6 of the Schedule does not represent any money to be paid to the Cooperative. It represents an estimate of the monthly amount a member will need to pay to maintain his/her own unit in proper state of repair and includes estimates for monthly payment of individually billed housing expense items that are not furnished by the Cooperative. These items, which are to be paid by the individual co-op member, include electricity (hotwater, air conditioning, lights, etc. in the unit), gas (heating & cooking), interior decorating and repair and replacement of household appliances that are not furnished by the Cooperative.

The amount required to maintain his/her unit depends to a degree upon the care and attention given by the member to his/her unit.

Replacement of such major items as the kitchen range and refrigerator is a responsibility of the Cooperative, and the monthly housing charge paid to the Cooperative includes an allocation for this purpose which will be deposited by the Cooperative in a replacement reserve account.

Monthly housing charges are estimated on the basis of full occupancy, and include a 2% allowance for vacancy and collection losses. Any greater vacancy or collection losses may require an increase in such charges. An increase may also be necessary in cases where taxes are raised, the costs of utilities furnished by the Cooperative are increased or where supplies and labor costs rise. The Cooper-

ative will operate on a non-profit basis and will collect monthly housing charges in an amount sufficient to meet all operating costs including payments on its mortgage. The amount of payments on the mortgage will normally remain constant since the payments to principal and interest have been computed in equal monthly installments covering the full term of the mortgage.

Part of the monthly housing charge payment is deposited by the Cooperative in the Reserve Fund for Replacements for the purpose of defraying, at least in part, the cost of replacement, when it becomes necessary, of structural components and mechanical equipment.

Three percent of the monthly housing charge payment is deposited in another reserve known as the General Operating Reserve, which is intended to be available for unforeseen contingencies and to finance resales of memberships, etc.

By paying the monthly housing charges promptly as they become due, the member will save the penalty for the late payment of his/her charge which will otherwise be assessed against him/her.

12. INCOME TAX ADVANTAGES

(a) In computing the overall housing cost, the member may wish to consider the benefit of the federal income tax deductions allowed to tenant-member of cooperative housing corporations under Sec. 216, Internal Revenue Code of 1954. Provided 80% of the Cooperative's gross income in the taxable year consists of carrying charges received from its members, such members are entitled, in accordance with Internal Revenue Service requirements, to deduct from their gross income their proportionate share of real estate taxes and mortgage interest paid or incurred by the Cooperative. At the end of each year, the Cooperative will advise each member of his/her proportionate share of the total amounts paid by the Corporation for

mortgage interest and real estate taxes. This will be of special significance to those members whose status is such that it is in their financial interest to itemize deductions on their income tax returns. The amount of any tax benefit will depend upon the income of the taxpayer, as well as his/her deductions and tax bracket.

(b) A member of a cooperative has available to him/her the same basic federal income tax advantages (Sec. 1034, I.R.C. 1954) available to a homeowner who sells his or her principal residence and purchases a new one. Principal residence has been defined by the Internal Revenue Service to include a cooperative apartment. If a person sells or exchanges his/her principal residence at a gain, the gain may be currently taxable. However, if within 18 months before or 18 months after the sale, the seller buys and occupies another principal residence, the tax on the gain may be postponed in whole or in part.

The foregoing information is for information purposes only and is not intended to be relied upon by the reader as tax advice. It is suggested that the reader may wish to consult his or her tax adviser.

More complete information may be obtained from a booklet entitled "Selling Your Home" (document number 5017) which is available from the Internal Revenue Service.

13. RIGHT OF APPLICANT TO WITHDRAW AFTER SIGNING SUBSCRIPTION AGREEMENT

For a period of fifteen (15) days after signing the Subscription Agreement, an applicant may withdraw and obtain a return of his/her deposit, provided he/she notifies the Cooperative in writing to this effect. (See Subscription Agreement).

14. MEMBER'S SUBSCRIPTION SUBJECT TO ACCEPTANCE BY COOPERATIVE AND CREDIT APPROVAL BY HUD

Your membership is not assured unless and until your credit and family income have been found acceptable by HUD and your application and subscription have been accepted by the Cooperative. (See Subscription Agreement).

15. FAMILY INCOME AND OCCUPANCY LIMITATIONS

The development's operation will be assisted by Section 8 housing assistance payments from HUD and the development's mortgage will be insured by HUD. In consequence, the development is subject to income and occupancy and operational limitations as required by applicable statutes, regulations, and operational procedure. In this Bulletin, the Cooperative has stated information concerning these matters, and it must be understood that these requirements are subject to change from time to time as provided by law and the regulations and operating procedures of HUD.

Heritage Park is designed to provide housing primarily for low and moderate income families. However, after initial occupancy, a family whose income exceeds the current limitations retains the right to remain in the Cooperative, in accordance with HUD guidelines.

To be eligible for Section 8 assisted admission in the development as a member who cannot afford the full housing charges, a family must have any annual income, as defined by HUD, which is not greater than the amounts listed below:

	NUMBER OF PERSONS IN FAMILY				
	(2)	(3)	(4)	(5)	(6)
LOW	\$10,800.	\$12,150.	\$13,500.	\$14,600.	\$15,650.
MODERATE	\$17,300.	\$19,450.	\$21,600.	\$22,950.	\$24,300.

HUD OCCUPANCY LIMITS

Residents must be placed in apartments of appropriate size for the composition and size of the households as follows:

<u>BEDROOMS</u>	<u>NUMBER OF PERSONS</u>	
	<u>Minimum</u>	<u>Maximum</u>
2	2	4
3	4	6

The foregoing income and occupancy limitations are subject to change from time to time by HUD.

In addition to income, initial occupancy is restricted to families and certain single persons. The term "family" includes, but is not limited to, an elderly, handicapped, disabled or displaced person and a remaining member of a family as defined in the Act. Single persons who are elderly or handicapped are also eligible. To qualify as elderly a single person must be 62 years of age or older. To qualify as "handicapped" a single person must have a physical or mental impairment which is expected to be of long continued and indefinite duration, substantially impedes his/her ability to live independently, and is of such a nature that his/her ability to live independently could be improved by more suitable housing conditions. Preference for occupancy will be given to those families or people displaced from their homes by urban renewal or other governmental action, or national defense, as determined by the President.

Reexaminations of family income, composition and the extent of medical or other unusual expenses incurred by the family shall be made at least annually (except that such reviews may be made at intervals no longer than two years in the case of elderly families), and appropriate redeterminations shall be made of the

amount of the gross family contribution and the amount of housing assistance payment, all in accordance with schedules and criteria established by HUD.

Certain modifications of these occupancy limitations may be permitted, if approved by HUD, when justified because of varying factors of age, health, family composition, etc.

The Regulatory Agreement between the Cooperative and HUD sets forth in more detail the HUD requirements concerning family income and occupancy limitations.

16. TRANSFERS FROM THE COOPERATIVE

If after taking occupancy you wish to move from the Cooperative, you may sell your interest, giving the Cooperative the first option to purchase your membership and Occupancy Agreement in accordance with the terms of the By-Laws. If the Cooperative fails to exercise its option, you may sell your membership and right of occupancy to a purchaser approved by the Cooperative. A more detailed and authoritative statement of this procedure will be found in the By-Laws. Where the sale is accomplished by a member, a certificate in form approved by HUD as to the price paid shall be executed by the seller and purchaser and delivered to the Cooperative. Should you find it necessary to absent yourself from the jurisdiction for a determinable period of time, the Cooperative may permit you to sublet your unit with HUD approval (FHA form number 3237-A is used in such cases).

17. THIS BULLETIN IS THE ONLY INFORMATIONAL LITERATURE WHICH HAS BEEN APPROVED BY HUD

The other documents listed in paragraph 1, above, have also been approved as to form by HUD. However, these forms of documents, although the loan has been endorsed for insurance, are subject to change to reflect policies and requirements

adopted or approved by HUD. HUD has not examined or approved any advertising or other informational material in connection with this development.

18. ADDITIONAL INFORMATION

In this Bulletin, the Cooperative has endeavored to summarize pertinent facts concerning its undertaking. There may be other points which have not been covered here. If you wish to obtain further information, please feel free to communicate with:

SALES OFFICE

MULTI-FAMILY HOUSING SERVICES
Heritage Park Cooperative
287 North Van Buren Street
Rockville, Maryland 20850

Telephone: (301) 251-0155

DAWSON ADAMS MUTUAL HOMES, INC.

By:


John H. Pettit, President