

SELLER'S STANDARD DISCLOSURE STATEMENT

Please carefully review the following disclosures relating to the Property you are purchasing and your decision to purchase the Property. As used herein, all references to "Seller" shall mean and refer, collectively, to Magnolia Village at Cinco Lakes, LLC (and, if different, the entity that sells the Property and conveys title to you at closing), as well as their respective agents, managers, insurers, employees, subcontractors, and representatives. This Standard Disclosure Statement (this "**Disclosure**") is part of the purchase contract governing your purchase of the Property. By signing this Disclosure, you, as the undersigned Buyer(s), acknowledge and agree that you (i) have read and understand the information disclosed below; (ii) voluntarily assume and accept the risks, duties, conditions, and responsibilities described below; and (iii) irrevocably waive, release and discharge any and all claims against Seller arising out of or relating to the information and disclosures set forth below. This is a legally binding document. If you desire legal advice, consult your attorney before signing it.

1. DUE DILIGENCE

Buyer is responsible to perform all due diligence necessary to make an informed decision to purchase the Property, including, but not limited to, plat/lot review and location, easements and rights of way on the Property, setback requirements, CC&Rs, HOA matters, title reports, project layout and design, and any other matter pertinent to your decision to purchase of the Property.

2. PRICE CHANGES AND RENTAL PERFORMANCE

Seller makes no representations that your Property's value will at any time in the future either remain at, or be higher than, its value at the time of purchase. You acknowledge that any and all projected returns on investment or proformas from Seller or its representatives/agents are non-binding estimates only and are not guaranteed or promised in any manner. Actual financial performance of the Property may vary substantially from said estimates. You assume all risks and variables regarding tax benefits, rental income, property management or rental fees, HOA dues and special assessments, depreciation benefits, price appreciation, minimum "cap" rates, or future pricing adjustments.

3. HOMEOWNERS ASSOCIATION; CC&RS

The Property in this project is subject to Conditions, Covenants and Restrictions (CC&R's) which are of public record, and a homeowners association which levies homeowner association dues. The CC&Rs may also contain, among other provisions, a requirement for payment of a reinvestment fee to the homeowners association each time the Property is sold. These CC&R's and requirements are intended to preserve the attractiveness and desirability of your community, and also contain restrictions regarding what you may and may not do with your Property. You should read these CC&R's carefully and contact your sales counselor or legal counsel if you have any questions. You are required to comply with the terms and provisions of any and all CC&Rs recorded against your Property.

Furthermore, you are required to comply with the terms and provisions of all dispute resolution provisions in the CC&Rs, including, without limitation, binding arbitration of all disputes after complying with the required notice and cure provisions set forth in the CC&Rs.

4. CHANGES IN CC&R'S

Although you may have received a copy of the CC&R's applicable to the community in which your Property is located, certain changes may be made in the CC&Rs and related homeowners association documents in the future. You understand that the CC&Rs and associated documents can and may be amended in

accordance with their provisions. You agree that copies of the CC&Rs and related documents can be provided to you electronically or by reference to a website where they can be opened and viewed.

5. ADJACENT LAND USES

The Seller makes no representations and provides no warranties about future land uses on adjacent or nearby properties. Because general plans and zoning are subject to change, we encourage you to check with the planning department of the appropriate City or County regarding proposed land uses in nearby or adjacent areas. You should not rely on statements from anyone except authorized representatives of the City or County regarding the existence of, or potential for, undesirable uses, structures, zoning, or permitted activities in nearby or adjacent areas. Your Property may be located near or within hearing distance of roadways, railroads, highways, commercial uses, or other uses or activities that generate undesirable sounds, traffic, or nuisances. Seller makes no representations or warranties of any kind regarding the existence or absence of any such uses, activities or sounds.

6. CONSTRUCTION FINANCING

This provision is not applicable to homes that are already construction (built on "Spec").

You acknowledge and agree that you, as the Buyer, are responsible for obtaining your own construction financing to pay for construction of the Property. The Property is comprised of a building containing two (2) or more units, as described in your purchase contract. Seller has no obligation to construct or sell the Property to you unless you pay for all costs of construction, either with your own funds or with lender financing on a timely manner that does not cause unreasonable delays in the construction process. If you finance your construction costs with a lender, you authorize the Seller to submit draw requests to the lender and receive payments directly from the lender, and you agree to instruct and authorize your lender to act accordingly. You are solely responsible for the terms, conditions, and interest rate of any and all construction financing you choose to obtain. You agree that Seller has no responsibility whatsoever to secure, obtain, or provide construction financing for you.

7. PERMANENT FINANCING

You acknowledge and agree that you, as the Buyer, are responsible for obtaining your own permanent financing to pay the agreed-upon purchase price for the Property, as set forth in your purchase contract, if you choose to finance your purchase of the Property. You are solely responsible for the terms, conditions, and interest rate of any and all permanent financing you choose to obtain. You agree that Seller has no responsibility whatsoever to secure, obtain, or provide permanent financing for you.

8. REPRESENTATIONS BY BUYER

By signing the purchase contract and purchasing the Property, you represent and warrant as follows:

- (a) You have received, read and do understand the purchase contract for your purchase of the Property, the CC&Rs and related documents concerning the Property, this Disclosure Statement, and all other contracts, materials, addenda, and information provided by the Seller, the title company, or otherwise concerning the Property you are purchasing;
- (b) You acknowledge and understand that the Property you are purchasing is part of a new community with little or no operating history in terms of rental performance, rental income, or tenant demand. Seller has no obligation to secure or provide tenants for your Property, and there is no guarantee how long it will take, or what rental incentives may need to be provided, to secure tenants for your Property.
- (c) Your decision to purchase the Property as an investment property for rental purposes involves elements of risk association with any investment in real property. You may lose some of your investment, and the

rental performance of the Property may not be satisfactory to you or otherwise meet your expectations or desires.

(d) Unless otherwise stipulated by the HOA, CC&R's, or other entities having jurisdiction, you may choose to manage your Property directly and perform all rental management functions yourself, or you may choose to hire a rental management company of your choosing to perform such functions. You understand that you alone are responsible to pay any and all property management or rental management fees, and that Seller will not pay them for you.

(e) You have sufficient net worth to bear the risks associated with purchasing the Property, and you have sufficient financing means and net worth to pay for the Property, including any and all financing obligations and loan payments, even if the Property does not generate sufficient rental income to cover such payment obligations.

(f) You have sufficient investment experience and business acumen to evaluate the risks and merits of purchasing the Property, and will not hold Seller accountable for any losses you may sustain due to market conditions, poor rental performance, or other such factors.

(g) You understand that other parties will be purchasing other buildings and rental units in this same project, and you will be competing with other property owners in this same project to secure tenants. You understand and assume all risks of purchasing a rental property in a project containing other rental properties.

(h) In making the decision to purchase the Property, you have relied solely upon your own independent investigations and analysis. You have not relied on the Seller or any agents, representatives, employees, or brokers of the Seller with respect to any promises, estimated returns on investment, tax, or other economic considerations involved in this investment. You have made your own informed decision that the Property is a suitable investment for you, and that you have such experience and investment sophistication that you are fully qualified and capable of making such decision.

(i) The particular property you purchase may have different features or materials from other similar homes, depending on what materials are available at the time of construction.

(j) All of the representations herein are true and accurate, and you agree that the Seller, without any further investigation, is entitled to rely on your representations.

BUYER ACKNOWLEDGES: (A) RECEIPT OF THIS DISCLOSURE STATEMENT; (B) HAVING HAD AN ADEQUATE OPPORTUNITY TO OBTAIN LEGAL ADVICE BEFORE SIGNING THIS DISCLOSURE STATEMENT; AND (C) THAT NO REPRESENTATIONS OR WARRANTIES HAVE BEEN MADE BY SELLER (OR THEIR AGENTS OR REPRESENTATIVES) THAT ARE INCONSISTENT WITH THESE DISCLOSURES.

Buyer Information:

Name(s):

Signature(s): _____

Date: _____