

# DISCLOSURE STATEMENT

## MEADOWBROOK RESIDENTIAL SITE CONDOMINIUM PROJECT

(Clinton County Condominium Subdivision Plan No. 13)

DEVELOPER: HDI Development Company

Meadowbrook is a Residential Site Condominium Project consisting of up to 150 Site Units, located in Bath Township, Clinton County, and Meridian Township, Ingham County, Michigan. The Condominium Units consist of a building site together with access to and an undivided interest in the Common Elements of the Project. The Project is served by roadways dedicated to the public and maintained by Clinton County, as well as private roadways constituting Common Elements and maintained by the Association. The maximum size of the project is 150 Units. The minimum size of the Project is 81 Units. All of the Units committed to the Project are described in the Master Deed and/or First Amendment to Master Deed to which this Disclosure Statement relates.

The effective date of this Disclosure Statement is: August 6, 1999.

THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR THE MASTER DEED OR OTHER LEGAL DOCUMENTS, AND ALL BUYERS SHOULD READ ALL DOCUMENTS TO FULLY ACQUAINT THEMSELVES WITH THE PROJECT AND THEIR RIGHTS AND RESPONSIBILITIES RELATED THERETO.

IT IS RECOMMENDED THAT PROFESSIONAL ASSISTANCE BE SOUGHT FROM AN ATTORNEY OR OTHER APPROPRIATE ADVISOR PRIOR TO PURCHASING A CONDOMINIUM UNIT.

THIS DISCLOSURE STATEMENT IS REQUIRED BY THE MICHIGAN CONDOMINIUM ACT BUT IS NOT REQUIRED TO HAVE BEEN, AND CONSEQUENTLY, HAS NOT BEEN, FILED WITH THE CORPORATION AND SECURITIES BUREAU, MICHIGAN DEPARTMENT OF COMMERCE, 6546 MERCANTILE WAY, LANSING, MICHIGAN 48913; NOR HAS THE DEPARTMENT UNDERTAKEN TO PASS ON THE VALUE OR MERITS OF THE DEVELOPMENT OR TO MAKE ANY RECOMMENDATIONS AS TO THE PURCHASE OF UNITS IN THIS DEVELOPMENT.

### I

#### INTRODUCTION

This Disclosure Statement is required by Michigan Law. Condominium developments in Michigan are governed largely by a series of Michigan Public Act which, taken together, are called the "Condominium Act" or the "Act" (Act 59 of Michigan Public Acts of 1978, as amended by Act 538 of the Michigan Public Acts of 1982, and Act 113 of the Michigan Public Acts of 1983). This Disclosure Statement, together with copies of the legal documents required for the creation and operation of the Condominium Project (which are referred to as the "Condominium Documents"), are furnished each

purchaser pursuant to the requirement of Michigan Law that the Developer of a Condominium Project disclose to prospective purchaser the characteristics of the Condominium Units which are offered for sale. '

The Condominium and Living Care Division of the Corporations and Securities Bureau of the Michigan Department of Commerce administers the laws under which condominium projects are developed in this State. This Department is not required, to and has not undertaken to pass on the value or merits of the Condominium Development or to make any recommendations as to the purchase of Units in this Development.

## II THE CONDOMINIUM CONCEPT

A. In General. The term "condominium" designates a type of ownership of real property. A condominium unit is a form of real property. A condominium unit has the same legal attributes as any other form of real property under Michigan Law and, accordingly, may be sold, mortgaged or leased, subject only to such restrictions as are contained in the Condominium Documents or are otherwise applicable to the property.

Various types of condominium developments including, but not necessarily being limited to, residential, business, marina and mobile home developments, are contemplated by the Condominium Act. This Project is a residential site condominium project.

Each owner receives a deed to his individual condominium unit. In addition to his individual condominium unit, each owner owns an undivided interest in the common facilities ("Common Elements" or "Common Areas") which service the Project. Title to the Common Elements is included in and is inseparable from title to the individual condominium units. A Co-owner's proportionate share of the Common Elements is determined by the Percentage of Value assigned to his Unit in the Master Deed, as described subsequently.

What the condominium unit consists of is described specifically in the Master Deed. All portions of the Project not included within the Units, or dedicated as roadways to the public, constitute the Common Elements. Common Elements may be "general" Common Elements or "limited" Common Elements. Limited Common Elements are those Common Elements which are set aside for use by less than all Unit Co-owners. General Common Elements are all Common Elements other than Limited Common Elements. Because there are Common Areas and because the law requires it, the Project is administered generally by a non-profit association, the Condominium Association, of which all Co-owners are members. In Meadowbrook, the Condominium Association will be a not-for-profit Michigan corporation. The nature and duties of the Association are described more specifically in the Master Deed and Condominium Bylaws, which are also the bylaws for the not-for-profit

corporation and are summarized subsequently in this Disclosure Statement.

As indicated, the term "condominium" denotes a form or type of ownership of real property and the Condominium Units have all the same attributes of real property as any other piece of real property. Except for the year in which the Project is established, or in which an Expansion Amendment is recorded, real property taxes and assessments are levied individually against each Unit in the Project. The separate taxes and assessments cover the Unit and its proportionate share of the Common Elements. No taxes or assessments are levied independently against the Common Elements. In the excepted years, the taxes and assessments for the Units covered by the original Master Deed or Expansion Amendment are billed to the Association and are then paid by the Co-owners of such Units in proportion to the Percentage of Value assigned to the Units owned by them.

The Condominium Act provides for considerable flexibility in development of a condominium project. Each project is different and the details of each development may vary substantially. While what is stated above and below is generally accurate, each purchaser is urged to carefully review all of the actual documents involved which will be furnished to you by the Developer. Any purchaser having questions or concerns pertaining to the legal aspects of this Project is advised to consult his own attorney or other professional advisor. Any purchaser having other questions relating to the Development is urged to have those questions answered to his satisfaction by the Developer or its representatives, or other professional advisor.

B. Condominium Building Sites. Meadowbrook Condominiums, while offering all the ownership attributes of any other condominium, is unique in that the Condominium Units in the Project consist of individual vacant land building sites serviced by all required and necessary utilities in an area specifically zoned by the Township of Bath for this type of project and which Units are fully accessible by public roadways through a Common Area in which a Co-owner will have an undivided interest. The Condominium Units and the Common Elements in this Project do not include the buildings, structures and improvements which may be constructed on the Condominium Sites. Each Condominium Unit consists of the land included within the boundaries depicted in the Condominium Subdivision Plan attached as Exhibit "B" to the Master Deed and First Amendment to Master Deed. A prospective purchaser, to understand the nature of his purchase, needs to understand the condominium concept in general and the specific nature of the Meadowbrook Residential Site Condominium Project.

While the Michigan Condominium Act contemplates condominium projects of various types, including marina and mobile home condominium sites, the more traditional form of residential or business condominium project consists of the interior enclosed air

space within a building, with the Co-owners having fee title to that interior air space and an undivided interest in the building and other improvements which are usually considered part of the common facilities or Common Elements of the Project. In the more traditional form of condominium project, the Common Elements include the exterior structural components and like elements between the exterior and interior walls. In the more traditional condominium project, the land surrounding the buildings in which the Condominium Units are located, are also part of the Common Areas in which all Co-owners have an undivided interest.

In Meadowbrook Residential Site Condominium, each Co-owner holds absolute fee title to his building site unit, and will have the same interest in any building or other improvements located within the boundaries of his Condominium Unit, together with an undivided interest in a Common Areas accessible to and designed to benefit all Units in this Project. As such, Meadowbrook Residential Site Condominium is more analogous to a marina or mobile home condominium project than the more traditional condominium type project described above. Within the various restrictions and provisions contained in the Condominium Documents, including a provision for architectural control retained by Developer, which control is assignable to the Condominium Association, and within the parameters of local ordinance and state law, a purchaser may construct, and will generally be responsible for whatever building or structure is placed within the boundaries of a Condominium Unit, and will have fee title to the land on which any such building, structure or improvement is placed and will own any such building, structure or improvement.

As in all condominium projects, a Condominium Co-owners Association, established as a non-profit member corporation, administers and manages the Condominium Project, including all Common Areas. As in any other condominium project, responsibility for the cost of maintenance is divided between individual Co-owners and the Association. Subject to the more specific provisions within the Master Deed and Condominium Bylaws, which a prospective purchaser is urged to review, the Co-owner is generally responsible for all maintenance, repair, decoration and replacement of such Co-owner's Site Unit and any building or improvements located with such Co-owners's Unit.

Because of the nature of this Residential Site Condominium Project, there are no Limited Common Elements at this time.

Any lawn or green-belt area within a Residential Site not occupied by the footprint of a building or structure, is the responsibility of the Co-owner to mow, landscape and generally maintain. Both the nature and type of structures and improvements and certain of the landscaping is subject to architectural control and approval as more specifically set forth in the Condominium Master Deed and Condominium Bylaws.

As to those expenses which are the responsibility of the Association, payment is by monthly assessment as more specifically set forth in the Condominium Documents. Such expenses are allocated amongst' Co-owners, and includes certain insurance expenses. Given the nature of this Condominium Project, each Co-owner will be responsible for maintaining fire, extended coverage and related insurance as to such Co-owner's Unit and any buildings, structures or improvements located within it and also to obtain and maintain personal property, liability and other personal insurance coverage. The Association will maintain only liability insurance coverage and the like for occurrences on the Common Elements and such other insurance on the Common Elements and otherwise as may be specified in the Condominium Documents.

The Condominium Act provides for considerable flexibility in the development of a condominium project. The Act defines "Condominium Unit" to mean that portion of the Condominium Project designed and intended for separate ownership and use, as described in the Master Deed and/or First Amendment to Master Deed, regardless of whether it is intended for residential, office, industrial, business, recreational use as a time-share unit, or any other type of use. Developer has created a project which provides maximum flexibility to Co-owners, within the parameters of the Condominium Act and local ordinance, while at the same time maintaining and establishing the same form of ownership and use of Common Areas and division of responsibilities, as in any other condominium project. The nature of ownership in this Project is the same as in any other condominium project. All required approvals of Bath Township and Meridian Township for a Condominium Project have been obtained. Because the Condominium Act provides such flexibility, you are urged to carefully review, with professional assistance, all the Condominium Documents.

### III SUMMARY OF PROJECT

A. **Size, Nature and Physical Characteristics of the Project.** Meadowbrook is a residential site condominium project initially consisting of 48 site units with an additional 33 site units subsequently added, for a total of 81 units, located in Bath Township, Clinton County, and Meridian Township, Ingham County, Michigan. This Project is expandable at the sole discretion of the Developer, in one or more phases, to a total of not more than 150 Units. The Project initially consists of 48 separate building sites, and is now comprised of 81 building sites, each of which is a separate Condominium Unit, together with ingress and egress, and other improvements provided for common use by the Co-owners of the Units as set forth in the Condominium Documents. Access to the Project and to each site unit will be by public and/or private roadways. Driveway access and all structures and improvements within the perimeter of a Unit are the responsibility of the purchasing Co-owner.

The total land committed to the Project contains approximately 19.99 acres for the 81 site units and 22.17 acres, more or less, for potential future development, some of which acreage is expected to be used for public road rights of way. The land is specifically zoned for this Project and is subject to Bath and Meridian Township ordinances, rules and regulations. Site plans for the project have been approved by and are on file with Bath Township.

As noted above, the Condominium Project is expandable. This may be done at the sole discretion of the Developer, but if at all, must be declared within six years after the initial recording of the Master Deed. This Project may be expanded by the addition of all or part of certain land, described in this Master Deed, and some or all of such additional land will be additional Units, up to an additional 69 Units, for a maximum total of 150 Units. This may be done in more than one phase. Other restrictions apply and may be found in Articles VII, VIII and IX of the Master Deed.

**B. Roads.** The Project lies west of, and adjacent to Perry Road, in the Township of Bath, County of Clinton, State of Michigan. Perry Road is a public roadway maintained by Clinton County. Some or all of the roadway areas within the land committed to the Condominium Project are or will be dedicated to the public and accordingly will be maintained by Clinton County. The Project does not abut any public roadway in Meridian Township, and all access to public roads will be to roads maintained by Clinton County. Other roadway areas within the land committed to the Project are or will be private roads, maintained by the Association. Any driveways created by Co-owners connecting with the public roadways serving the Project or private roadways comprising Common Areas, are part of what is owned by the Co-owner, and the Co-owner is accordingly responsible for appropriate maintenance and repair of such driveway.

**C. Utilities.** The Meadowbrook Residential Site Condominium Project is served by all necessary public utilities. Purchasing Co-owners are responsible for certain other similar services. The Condominium Master Deed and other Condominium Documents should be consulted for the detail as to General and Limited Common Elements and utility services to the Project. Storm sewer and related facilities are located within the Common Areas and/or under or near the public roadways but any connections to those facilities within and from a Condominium Unit is the responsibility of the purchasing Co-owner. Gas service is furnished by Consumers Energy; electricity is furnished by Consumers Energy; telephone services are furnished by Ameritech; and water and sanitary sewer services are furnished by The Charter Township of Bath. All utilities, other than those which service the Common Elements, if any, are or will be billed directly to each Co-owner as more specifically described in the Condominium Documents.

**D. Reserved Rights of Developer.** Developer has reserved certain rights as more specifically set forth in the Condominium

Documents. Some of those rights are summarized herein and you should consult the Condominium Documents for further detail.

(1) Developer has reserved architectural control and may establish a Design Committee to implement such controls. The Design Committee may have the authority to delegate this control to the Association or other entity. Under this reservation, no building, structure, landscaping or other improvement may be made or constructed, nor may exterior modifications of any type be made, without Developer's approval or that of its assignee.

(2) Developer has reserved the right, during the development and sales period, to maintain on the Condominium Premises, at its option, a sales office, a business office, model units, storage areas, reasonable parking for such areas, and appropriate access to, from and over the Condominium Premises as is reasonable to enable development and sale of the Project.

(3) Developer has reserved the right to amend the Master Deed without approval from Co-owners and Mortgagees for specific purposes set forth in the Condominium Documents, including the correcting of errors and for any other purpose so stated. Any amendment that would materially alter the rights of a Co-owner or Mortgagee may be made only with the approval of sixty-six and two-thirds (66-2/3%) percent of the Co-owners and first Mortgagees. Certain provisions of the Master Deed cannot be amended without Developer's approval, as indicated therein.

(4) Developer has reserved a continuing easement five (5) feet in width, along the side boundary lines of each Unit for the purpose of completing all necessary finish grading and landscaping.

(5) Developer has reserved and may in the future create easements over the Condominium Project as may be required to perform any of the Developer's maintenance, repair, decoration or replacement obligations, or expansion, and to enable development and sale of the Units.

(6) Developer has reserved the right to enforce the Bylaws as long as Developer owns any Unit in the Project which is offered for sale.

(7) Both in the Condominium Act and Condominium Documents, certain rights and powers are granted or reserved to Developer in order to facilitate the development and sale of the Project as a condominium, including the power to approve or disapprove a variety of proposed acts and uses, and the power to secure representation on the Board of Directors of the Association.

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**IV  
DEVELOPER**

HDI Development Company, a Michigan co-partnership, is the Developer of the Project. Its co-partners are Róger A. Drobney and Douglas O. Showers.

HDI Development Company, and or its co-partners have been residential real estate developers in this area for in excess of twenty-five (25) years.

Developer is not aware of any pending judicial or administrative proceedings involving this Condominium Project or this Developer.

**V  
BUILDER**

The builder of Meadowbrook Condominiums is also HDI Builders, Incorporated, a Michigan corporation.

**VI  
REAL ESTATE BROKER**

There will be no real estate broker employed for the sale of the Units comprising Meadowbrook Condominiums. The builder, HDI Builders, Incorporated will sell the units in Meadowbrook.

**VII  
STRUCTURES AND IMPROVEMENTS WHICH NEED NOT BE BUILT**

The Michigan Condominium Act, as amended, requires the Developer to clearly inform potential purchasers what its construction obligations are through the use of the labels "must be built" and "need not be built". The Developer is obligated to construct only those units and improvements labeled "must be built" in the Condominium Subdivision Plan attached to the Master Deed. All of the Units and improvements shown in the Condominium Subdivision Plan for the first phase of Meadowbrook Condominiums are labeled "must be built".

**VIII  
ESCROW OF FUNDS**

In accordance with Michigan law, all funds received from prospective purchasers of Units at Meadowbrook Condominiums will be deposited in an escrow account with an escrow agent. The escrow agent for Meadowbrook Condominiums is Metropolitan Title Company, whose address and principal place of business is 2450 Delhi Commerce Drive, Suite 13, Holt, Michigan 48842.

Additional details of the escrow arrangements made in connection with Meadowbrook Condominiums are contained in the Escrow Agreement which is attached to your Purchase Agreement.

#### IX

#### FINANCIAL ARRANGEMENTS FOR COMPLETION OF SITE DEVELOPMENT

Developer has arranged site development construction financing through Independent Bank in Rockford, Michigan.

#### X

#### RECREATIONAL FACILITIES

No recreational facilities will be included in Meadowbrook Condominiums.

#### XI

#### LEGAL DOCUMENTATION

A Condominium is created and established as a condominium project pursuant to the Master Deed recorded in the appropriate county office, in this case the Clinton County Register of Deeds. Other related documentation is either required or related and appropriate. All documentation, taken together, is referred to as the "Condominium Documents". The term "Condominium Documents" means and includes the Master Deed, its Exhibits (Exhibit A, combined Association Corporation and Condominium Bylaws; and Exhibit B, Condominium Subdivision Plan), the First Amendment to Master Deed, the Articles of Incorporation of the Association, and other documents referred to in the above described documents which affect the rights and obligations of Co-owners in the Condominium. Prospective purchasers and Co-owners have been, or will be furnished with a set of documents inclusive of the above documents, required to be furnished by the Condominium Act. This Disclosure Statement attempts to summarize those documents but should not be relied upon as a substitute for review of all of the actual documentation, with the assistance of a professional advisor.

A. Master Deed. The Master Deed means the document which, when recorded, creates and establishes the Condominium and is the document to which the Condominium Bylaws and Condominium Subdivision Plan are attached, respectively, as Exhibits "A" and "B", and also includes the First Amendment to Master Deed. Among other things, the Master Deed contains definitions of certain terms used in the Condominium Documents, sets forth the Percentage of Value assigned to each Unit in the Project, generally describes the Units and the Common Elements included in the Project and contains a statement regarding the relative responsibilities for maintenance of the Common Elements. The Master Deed contains certain specified restriction on use of Condominium Units and the Common Areas, and reserves certain rights to Developer. The Master Deed also sets forth actual and potential easements and rights and obligations of Co-owners and makes provisions for amendment to the Master Deed.

**B. Bylaws.** The combined Association and Condominium Bylaws, attached as Exhibit "A" to the Master Deed relates to the operation of the Condominium Association as a non-profit Michigan corporation, and includes substantive rights and obligations of the Co-owners pursuant to applicable provisions of the Condominium Act, including assessments and restrictions on use of the Condominium site and Common Areas.

**C. Condominium Subdivision Plan.** Attached as Exhibit "B" to the Master Deed is the Condominium Subdivision Plan. The Plan assigns a number to each Condominium Unit and contains a two dimensional survey depicting the physical location and boundaries of each of the Condominium Units and all of the Common Elements in the Project. This set of documents may also label structures, and improvements as "must be built" or "need not be built".

As indicated previously, Meadowbrook Condominiums Project is unique in the sense that the Condominium Units consist of building site areas coupled with an undivided interest in a contiguous Common Areas, with each Unit being independently accessible from the Common Areas. Developer is not hereby committing to construct any building or structures in the Project, but is committing to furnish to buyers a buildable building site serviced by applicable utilities with appropriate access to and from the Common Areas for access, parking and related purposes.

## XII CONVERTIBLE AREA

Meadowbrook Condominiums includes convertible areas around the perimeter of each Unit which Developer may use for the purpose of altering the size and shape of unsold Units. All convertible areas may be changed from Common Elements to part of unsold Units by Developer through an amendment to the Master Deed. The convertible areas in the Condominium are governed by Article VIII of the Master Deed.

## XIII ORGANIZATION, CONTROL, OPERATION AND MANAGEMENT OF THE CONDOMINIUM

**A. The Condominium Association.** The Condominium Documents and the Condominium Buyer's Handbook, published by the Michigan Department of Commerce, should be consulted for detailed information as to organization, control and management of the Condominium and activities of the Condominium Association. Control of the Condominium passes from Developer to the Co-owners at a specified time referred to as the Transitional Control Date.

The affairs of the Co-owners and all matters relating to the Common Elements of the Project will be managed exclusively by the Condominium Association, a Michigan non-profit corporation. A person automatically becomes a member of the Association by

purchasing a Condominium Unit in the Project. The manner of operation of the Association is set forth in the Bylaws and Articles of Incorporation for the non-profit Condominium Association. These documents should be consulted for the details of such matters.

The Meadowbrook Condominiums Owners Association, a nonprofit member corporation, was created and formed by Developer effective March 21, 1997. Roger A. Drobney and Douglas O. Showers are the initial directors, and will control the affairs of the Condominium Association until other directors are elected. Election of directors by Co-owners (including Developer voting as a Co-owner) cannot take place later than 54 months after the first sale and closing of a Unit. It is possible and likely that non-developer Co-owners will have voting rights sooner than that time, depending on the number of Units conveyed. Voting rights are set forth in detail in Article I, Section 4 of the Condominium Bylaws and such provisions should be carefully reviewed. Pending election of directors by Co-owners, an advisory committee of Co-owners may be established to facilitate communication and aide transition of control from Developer to the Co-owners, with the conditions and timing of establishment of such advisory committee being set forth in greater detail in the Condominium Bylaws. As more specifically set forth in the Condominium Documents, Developer may create a Design Committee in which one or more Co-owners may be involved, for purposes of architectural control.

There have been no annual meetings of the Association. The first annual meeting of members of the Condominium Association will be held as set forth in the Master Deed and Condominium Bylaws which, as stated above, also describe election of directors and officers. Subsequent annual meetings of the Association will be held each year following the first annual meeting. The rights of Co-owners to participate in meetings and their obligations and responsibilities with respect to the Association are set forth in detail in the Master Deed and Condominium Bylaws.

**B. Percentages of Value.** As more specifically set forth in the First Amendment to Condominium Master Deed, all of the Units in Meadowbrook Residential Site Condominiums have equal Percentages of Value. The Percentage of Value assigned to each Unit determines each Co-owner's share of the Common Elements of the Project and certain expenses and, when voting is by weight, a Co-owner's vote. As previously indicated, the condominium concept relates to a form of ownership of real property. Ownership of the Common Elements in a condominium is based on percentage of value. Certain Association expenses are allocated and assessed to Co-owners based on the Percentage of Value assigned to a Unit.

**C. Budget and Assessment.** The Condominium Bylaws require the Board of Directors of the Association to adopt an annual budget for operation of the Condominium Project. As this is a new Condominium Project, the budget required to conduct the business of

the Association and/or that of Developer is only an estimate and intended to provide for the normal and reasonably predictable expenses of administration in its early stages. For purposes of disclosure as and for an initial budget, the Developer indicates that the initial budget shall be based upon a monthly assessment of \$14.00 per Unit per month. This will generate an annual revenue from 81 Units of \$13,608.00. To the extent that the goods and services necessary to service the Condominium Project change in cost, the budget and expenses of the Association may require revision. A copy of the Developer's estimated budget is set forth below. There is no guaranty that the budget will be sufficient to meet actual expenses. It is normal for Association expenses to increase on a regular basis. The only source of revenue to fund the Association's budget is by assessment of its members.

For fiscal year 1999 the estimated revenues and expenses of the Condominium are as follows:

REVENUES:

Assoc. Dues - Monthly	\$ 14.00
No. of Units (81)	<u>81</u>
Annual Receipts	1,134.00 x 12
	<u>\$13,608.00</u> <sup>1</sup>

EXPENSES:

Monthly Maintenance	\$ 425.00
Long Term Maintenance	290.00
Legal and Accounting	150.00
Insurance	200.00 <sup>2</sup>
Reserve	<u>69.00</u> <sup>3</sup>
Total Expenses	1,134.00 x 12
	<u>\$13,608.00</u>

Each Co-owner will pay a monthly assessment as a share of the common expenses of administration of the Condominium Project. Association assessment, as indicated previously, will be allocated in accordance with Percentage of Value.

Timely payment of assessments is important to the continued viable operation of the Project. In this regard, the Association

<sup>1</sup> This budget has been estimated by the Developer based upon an assumption that 81 units will be sold and occupied by December 31, 2001, which is unlikely. However, the Developer believes that revenues and expenses will be reduced pro rata for each unit not sold and occupied.

<sup>2</sup> Estimate including fire and extended coverage, vandalism and malicious mischief and liability insurance. See discussion of Insurance at p 13 of this Disclosure Statement.

<sup>3</sup> There is no assurance that the contingency reserve will be adequate.

has the right to place a lien on a Co-owner's Unit for unpaid assessments which lien may be foreclosed in the same fashion that mortgages may be foreclosed, by court action or advertisement, under Michigan law! By closing on the purchase of a Unit, each purchaser will be deemed to have waived notice of any proceedings brought by the Association to foreclose lien by advertisement and notice of a hearing prior to the sale of his/its Unit. The Condominium Bylaws further provide that the Association may assess interest at 7% per annum on delinquent assessment amounts, as well as impose certain other penalties. The consequences of untimely or nonpayment of assessments and other obligations of a Co-owner are set forth in detail in the Condominium Bylaws, which should be consulted accordingly.

Included in the "regular" assessment amount will be a mandatory reserve for future contingencies, including major repair and replacement of Common Elements. The Association may also levy special assessments to cover expenses not anticipated in the budget.

**D. Other Possible Liability.** Each purchaser is advised of the potential liability of each Co-owner under Section 58 of the Condominium Act. Under the Condominium Act and applicable provisions of the Condominium Documents, it is possible for Co-owners to become obligated to pay a percentage share of the assessment delinquencies incurred by other Co-owners, if a delinquent Co-owner defaults on a first mortgage and the mortgagee forecloses. In such event, the new title holder is not liable for the past due assessment which become due prior to the new purchaser acquiring title. Instead, the delinquent assessments become a common expense which is reallocated to all the Co-owners, in accordance with the Percentages of Value set forth in the Master Deed.

**E. Professional Management.** No management agent has been selected for the project at this time. Professional management is available but not required by either the Condominium Act or the Condominium Documents. If and when a management agent is retained, the budget must be increased to cover the costs.

**F. Insurance.** Typically the Purchase Agreement provides that Developer shall furnish each purchaser with a commitment for an owner's title insurance policy at or prior to closing, and that the policy itself will be provided within a reasonable time after closing. The cost of the commitment and such policy is that of the Developer. Each purchaser should review the title insurance commitment with a qualified advisor prior to closing to make certain that it conforms to the requirements of his applicable Purchase Agreement.

Given the unique nature of the Condominium building site units in this Project, the Condominium Documents require that the Association carry fire and extended coverage for vandalism and

malicious mischief, liability insurance and worker's compensation, to the extent applicable, with respect to all of the Common Elements of the Project. Such insurance coverage may contain deductible clauses which, in the event of a loss, could result in the Association being responsible for a certain portion of the loss, with resultant assessment to Co-owners accordingly. Each Co-owner in any event, bears a pro-rata share of the Association's annual insurance premiums, and such expenses is included in the monthly assessment.

Because each Co-owner owns a building site unit in fee, and is responsible for constructing any buildings and improvements to be located within the boundaries of that Unit, each Co-owner is responsible for obtaining fire and extended coverage insurance on each Unit and any buildings or other improvements located within the boundaries of the Unit, as well as personal property, liability, and other individual insurance coverage, as more specifically indicated and required in the Condominium Bylaws. Each Co-owner must deliver a certificate of insurance to the Association confirming the existence of the required insurance coverage. If a Co-owner fails to maintain any such insurance coverage or provide evidence of it to the Association, the Association may obtain such insurance and collect the cost of it from the delinquent Co-owner. A Co-owner is advised to consult with an insurance professional to determine the amount and coverage necessary for such Co-owner's particular needs.

**G. Restrictions.** The Condominium Bylaws specifically set forth restrictions on the ownership, occupancy and use of a Unit in this Condominium Project. These restrictions were drafted to appropriately limit the activities of Co-owners which might infringe upon the right to quiet and peaceful enjoyment and occupancy by other Co-owners. Because it is impossible to paraphrase such restrictions without risking omission of some provision that may be of particular significance to a purchaser, each purchaser should examine the restrictions in the Condominium Bylaws to insure that they do not infringe upon an important intended use. Significant restrictions set forth in the Condominium documents include but are not limited to:

- (1) Only single family and related residential use of the Common Elements is permitted and other activities may be similarly restricted under the Bath Township Zoning Ordinance and the Planned Development Agreement in effect at the date of recordation of the Master Deed.
- (2) A Co-owner must disclose an intention to lease a Unit prior to entering into such a lease and must provide a copy of the exact lease form to the Association at least 14 days before presenting a lease to a potential lessee.

- (3) Developer has retained architectural control over the construction and alteration of all buildings, structures and other improvements in the Project, including, but not limited to, aesthetic issues and concerns.
- (4) There are substantial limitations upon physical changes that may be made to the Common Elements and to the Unit in the Condominium, and upon the uses to which the Common Elements and Units may be put.
- (5) The design, content and location of certain signs are subject to the proper written approval of Developer or the Association.
- (6) No immoral, improper, unlawful, offensive, or unreasonably noisy activity is permitted in a Unit or on the Common Elements.
- (7) No pets or animals may be kept or bred for any commercial purpose within the Condominium Project. Pets are allowed but restricted to animals which are kept primarily indoors and generally considered "household pets" and not more than two dogs and or two cats may be kept.
- (8) The Common Areas within Meadowbrook are designed for nature and wildlife enhancement. Rules and regulations have been or will be established for the proper use and enjoyment of these areas so as to preserve this intended purpose.
- (9) The location, color, material and height of all fences placed on Units are regulated.
- (10) Utility sheds and out buildings are prohibited, unless attached to the residence constructed on a Unit, and constructed of similar materials as the residence.

#### XIV

#### RELATIONSHIP BETWEEN THE DEVELOPER AND OWNERS

The Condominium Documents, as a whole, define and otherwise describe the relationship between Developer and prospective purchasers and owners at various stages. Basically, so long as Developer owns any Unit in the Project, Developer will remain involved with the Project. Prospective purchasers are again requested to review the Condominium Documents for details in this regard.

Prior to closing, the respective obligations of Developer and Purchaser of a Unit are set forth in the Purchase Agreement,



related Escrow Agreement and any other written contractual documents that may exist in a given situation between Developer and Purchaser. The Developer has entered an Escrow Agreement with Metropolitan Title Company of Holt, Michigan which basically provides that certain deposits made under a Purchase Agreement be placed in escrow. Because of the unique nature of this Project as a site condominium project with few aspects of the Common Elements requiring actual construction, escrow requirements will differ from that of a traditional condominium project. The Escrow Agreement provides for the release of escrowed deposits to Purchaser, or Developer, as more specifically set forth in that Escrow Agreement. The Escrow Agreement and Purchase Agreement should be closely examined in order to ascertain the disposition of deposits. Pursuant to Section 103b of the Condominium Act, and as more specifically set forth in the Escrow Agreement, the Escrow Agent shall maintain sufficient funds or other security to complete improvement shown on the Condominium Subdivision Plan as "must be built" until such improvements are substantially complete. The Escrow Agreement provides for the release of deposits to any Purchaser who withdraws from a Purchase Agreement, in accordance with the terms of the Purchase Agreement. The Condominium Act also provides that a person may, if knowingly and willingly done, waive the right of withdrawal from a Purchase Agreement. The Escrow Agreement also provides that a deposit will be released to a Developer if the purchaser defaults in any obligation under the Purchase Agreement, after the Purchase Agreement has become binding. Under certain circumstances set forth in the Purchase Agreement, Developer may be entitled to liquidated damages in the form of retention of all or a portion of the purchaser's deposit.

The relationship between Developer and purchaser at closing is analogous to that of any other Buyer and Seller of real estate. Upon fulfillment of the requirements of a Purchase Agreement, each purchaser will receive by warranty deed conveying fee simple title to its unit, and will also acquire an undivided interest in the Common Elements, subject to easement and restrictions set forth in the Condominium Documents and the title insurance commitment. Upon acquiring title to a Condominium Unit, a Co-owner automatically becomes a member of the Condominium Association.

After closing, the relationship continues to exist between Developer and Co-owner, so long as Developer retains ownership of any Condominium Unit or other land within the Condominium Project. Subsequent to purchase of a Unit, relations between Developer and owner are governed by the Master Deed and the Condominium Act. Warranties, if any, will also reflect a continuing relationship between the Developer and purchasers.

UNLESS OTHERWISE PROVIDED IN WRITING OR IN ANY PURCHASE AGREEMENT BETWEEN PURCHASER AND DEVELOPER, THERE ARE NO WARRANTIES APPLICABLE TO THIS CONDOMINIUM PROJECT. THE PURCHASER MAY BE REQUIRED TO PAY SUBSTANTIAL SUMS FOR ANY DEFECTS IN THIS

CONDOMINIUM PROJECT THAT ARE NOT COVERED BY WARRANTY, IF ANY SUCH DEFECT(S) EXISTS.

**XV  
UNUSUAL CIRCUMSTANCES**

Other than as set forth in this Disclosure Statement, Developer is not currently aware of any unusual circumstances related to this Project. As indicated previously, unlike so-called "traditional" condominium projects, Condominium Units involved in this Project consist of land in the form of a defined building site as more specifically set forth in the Condominium Subdivision Plan.

**XVI  
COMMUNICATION OF INFORMATION**

Explanation of the matters contained in this Disclosure Statement or other general information sought by a prospective Purchaser may be obtained by consulting the Developer at 4217 Okemos Road, Okemos, Michigan 48864.

**XVII  
LEGAL MATTERS**

Michael H. Rhodes of Loomis, Ewert, Parsley, Davis and Gotting, P.C., of Lansing, Michigan served as legal counsel in connection with this Disclosure Statement and other Condominium Documents. Legal Counsel has not passed upon the accuracy of the factual matters herein contained.

**XVIII  
PURPOSE OF DISCLOSURE STATEMENT**

Developer has prepared this Disclosure Statement in a good faith attempt to comply with the Michigan Condominium Act, which requires preparation of such a statement. The statement attempts to summarize or paraphrase various provisions of the Purchase Agreement, Escrow Agreement, Master Deed, Condominium Bylaws, and other documents required by law. THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR REVIEW OF THE UNDERLYING DOCUMENTS IT SUMMARIZES OR PARAPHRASES. THIS DISCLOSURE STATEMENT DOES NOT CONTAIN A COMPLETE STATEMENT OF ALL OF THE PROVISIONS OF THOSE DOCUMENTS WHICH MAY BE IMPORTANT TO PURCHASERS.

In an attempt to be more readable, this Disclosure Statement omits most legal phrases, definitions and detailed provisions of the documents. THE RIGHTS OF PURCHASER AND OTHER PARTIES ARE CONTROLLED BY THE OTHER LEGAL DOCUMENTS REFERENCED AND NOT BY THIS DISCLOSURE STATEMENT. ALL OF THE DOCUMENTS REFERRED TO IN THIS STATEMENT SHOULD BE CAREFULLY REVIEWED BY PROSPECTIVE PURCHASERS AND IT IS ADVISABLE TO HAVE PROFESSIONAL ASSISTANCE IN MAKING THIS REVIEW.

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