

DISCLOSURE STATEMENT

**ARBOR RIDGE CONDOMINIUMS
PITTSFIELD TOWNSHIP
WASHTENAW COUNTY, MICHIGAN**

DEVELOPER

PITTSFIELD DEVELOPMENT, INC.
35189 VARGO
LIVONIA, MI 48152

Arbor Ridge Condominiums is a fifty five (35) Unit residential condominium development in Pittsfield Township, Washtenaw County, Michigan, which may be further expanded to include a maximum of three hundred nineteen (319) Units within a period ending no later than six (6) years from the date of recording of the Master Deed.

THIS IS A DISCLOSURE STATEMENT AND NOT A SUBSTITUTE FOR THE MASTER DEED, THE CONDOMINIUM BYLAWS, THE CONDOMINIUM SUBDIVISION PLAN, THE PURCHASE AGREEMENT, THE ESCROW AGREEMENT, THE CONDOMINIUM BUYER'S HANDBOOK, OR OTHER LEGAL DOCUMENTS. ALL BUYERS SHOULD READ ALL DOCUMENTS TO FULLY ACQUAINT THEMSELVES WITH THE CONDOMINIUM, AND THEIR RIGHTS AND RESPONSIBILITIES.

WE RECOMMEND THAT YOU SEEK PROFESSIONAL ASSISTANCE BEFORE PURCHASING A CONDOMINIUM UNIT.

EFFECTIVE DATE: July 1995

ARBOR RIDGE CONDOMINIUMS

TABLE OF CONTENTS

	PAGE
I. Introduction	1
II. Description of the Condominium Project	1
A. Size, Scope and Location	
B. Condominium Units and Building Sites	
C. Utilities	
D. Roads	
E. Recreational Facilities	
III. Reserved Rights of Developer	2
A. Expansion of Project	
B. Developer's Conduct of Commercial Activities	
C. Right to Amend	
D. Easements	
IV. Legal Documentation	3
A. General	
B. Master Deed	
C. Condominium Bylaws	
D. Condominium Subdivision Plan	
E. Escrow Arrangements	
V. The Developer	4
A. Developer's Background and Experience	
B. Legal Proceedings	
VI. Operation and Management of the Condominium Project	5
A. The Condominium Association	
B. First Annual Meeting	
C. Advisory Committee	
D. Election of Non-Developer Co-owners to Board Before First Annual Meeting	
E. Election of Directors at and After First Annual Meeting	
F. Condominium Association Management	
G. Budget	
H. Assessments	
I. Developer's Responsibility for Association Assessments	
J. Possible Other Liability	
K. Insurance	
L. Specifications for Building and Restrictions on Occupancy and Use	

VII.	Rights and Obligations as Between Developer and Co-owners	8
	A. Before Closing	
	B. At Closing	
	C. Warranty	
VIII.	Local Government and Taxes	9
	A. Local Government	
	B. Real Property Taxes	
IX.	Purpose of Disclosure Statement	9

DISCLOSURE STATEMENT

I. INTRODUCTION:

Under the Michigan Condominium Act, the Developer of a condominium project must disclose to all prospective purchasers the significant features of the condominium in a Disclosure Statement. In addition, each purchaser must be given copies of certain Condominium Documents which are required for the creation and operation of a condominium project. This Disclosure Statement, along with the Condominium Documents constitute the only authorized description of ARBOR RIDGE CONDOMINIUMS. None of the Developer's sales representatives are authorized to vary the terms of the Condominium Documents.

The term "Condominium" indicates a form of ownership of real property. A condominium unit may be used, sold, mortgaged, or leased subject only to the restrictions contained in the Condominium Documents, the Condominium Act and other applicable laws and regulations. Each owner receives a deed to his individual condominium unit. In addition, each owner owns an undivided percentage interest in the common areas ("Common Elements") of the Condominium. Title to the Common Elements is included as part of, and is inseparable from, title to the individual condominium units. Each owner's proportionate share of the Common Elements is expressed by a percentage of value assigned to the unit in the Master Deed.

All portions of the Condominium not included within the units constitute the common elements. Limited common elements are those common areas which are set aside for the use of less than all of the unit owners and may be restricted to the exclusive use of only one co-owner. General common elements, such as the roadways, are those areas of the Project designed for use by all of the Co-owners or those common areas not defined as limited common elements. The boundaries of each unit and the common elements are described in the Master Deed and the Condominium Subdivision Plan which is attached to the Master Deed as Exhibit B.

II. DESCRIPTION OF THE CONDOMINIUM PROJECT:

A. SIZE, SCOPE AND LOCATION. ARBOR RIDGE CONDOMINIUMS is a fifty five (55) Unit residential condominium project located on approximately seventeen and one-half (17 1/2) acres of land in Pittsfield Township, Michigan. The project may be expanded, in

various phases, to include a total of three hundred nineteen (319) units on approximately one hundred twenty five and one-half (125 1/2) acres. The expansion, if any, must occur within six (6) years of the date of recording of the Master Deed.

B. CONDOMINIUM UNITS AND BUILDING SITES. ARBOR RIDGE CONDOMINIUMS is unique among most residential condominium projects in this area. The project is intended to include both condominium units which consist of residential dwellings and individual building sites upon which residential homes will be constructed. In most typical residential condominium projects, the entire project is dedicated as either condominium units which consist of the space enclosed within a dwelling or condominium sites which consist of individual building sites. Each owner will hold an absolute and undivided title to his unit or site as well as an undivided percentage interest in the common elements of the Condominium.

All Condominium homes and improvements to be built upon the sites must comply with the Developer's Building and Architectural Specifications and Use Restrictions set forth in detail in the Condominium Bylaws and also must receive prior written approval from the Architectural Control Committee of the Association.

C. UTILITIES. ARBOR RIDGE CONDOMINIUMS is served by public water, sanitary and storm sewers, gas, electric and telephone service.

D. ROADS. The roads in ARBOR RIDGE CONDOMINIUMS are private and will be maintained by the Association. Replacement, repair and resurfacing will be necessary from time to time as circumstances dictate.

E. RECREATIONAL FACILITIES. The Developer is not required to build any recreational facilities for use by the Co-owners.

III. RESERVED RIGHTS OF DEVELOPER:

A. EXPANSION OF PROJECT. The Developer has reserved the right to expand the project to no more than three hundred nineteen (319) units and/or sites by the addition of land at any time on or before the expiration of six (6) years from the date of recording of the Master Deed. If the project is expanded, it will be done by an amendment to the Master Deed. Such amendment(s) will recalculate percentages of value so that the total of the percentages continues to equal one hundred percent (100%). Such amendment(s) will not require the consent of any of the Co-owners or their mortgagees. In connection with such expansion, the

Developer has reserved the right to define and redefine general or limited common elements as may be necessary to adequately describe and service the expansion land and to change the nature of any common element previously included in the condominium project to achieve the purposes of such expansion, including, but not limited to, the connection of existing roadways and sidewalks to any roadways and sidewalks planned for the expansion land and to provide access to any condominium units over such roadways and sidewalks.

B. DEVELOPER'S CONDUCT OF COMMERCIAL ACTIVITIES. The Developer has reserved the right, until all units/sites in the project, as it may be expanded, have been sold, to maintain a sales office, business office, models and parking areas.

C. RIGHT TO AMEND. The Developer has reserved the right to amend the Master Deed without approval from Co-owners and mortgagees for the purpose of correcting errors and for any other purpose so long as the amendment would not materially alter or change the rights of a Co-owner or mortgagee. Further, the Master Deed and other condominium documents cannot be amended without the Developer's approval until completion of development and sale of the entire project.

D. EASEMENTS. The Developer has reserved such easements over the condominium project, including all units, sites, and common elements) as may be required to construct the entire project and/or to perform any of the Developer's maintenance, repair, decoration or replacement obligations

The Developer has reserved easements to utilize, tap, tie into, extend and enlarge all utility mains in the project in connection with the exercise of its rights with respect to the expansion of the project.

The Developer has reserved easements and rights of use over any roads and walkways in the project for the purpose of ingress and egress to and from the project and to and from all or any portion of the land that may hereafter be added to the project.

In the condominium documents and in the Condominium Act, certain rights and powers are granted or reserved to the Developer to facilitate the development and sale of the project 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.

IV. LEGAL DOCUMENTATION:

A. GENERAL. The Condominium project was established pursuant to a Master Deed recorded with the Washtenaw County Register of Deeds. The Master Deed contains as Exhibit A, the Condominium Bylaws, and as Exhibit B, the Condominium Subdivision Plan.

B. MASTER DEED. The Master Deed contains, in part, the definitions of the terms used in the Condominium Documents, a description of the Condominium land, a description of the general common elements and the relative responsibilities as between the co-owner and the Association for maintaining, repairing, decorating, and replacing the general common elements and certain areas within the Units, and the percentage of value assigned to each unit in the project. The percentage of value for each unit in the Condominium is equal and the total of the percentages of value for all units equal 100%. To the extent that the project is expanded, the percentages of value will be changed; however, the percentages will always be calculated on the same basis as under the original Master Deed. The percentages of value must at all times total one hundred percent (100%). The percentage of value assigned to each unit determines the value of each co-owners vote when voting by value and the proportionate share of regular and special Association assessments to be paid by each co-owner for the operation, maintenance, and expenses of the Condominium Project.

C. CONDOMINIUM BYLAWS. The condominium Bylaws govern the development, operation, administration, and fiscal affairs of the Condominium.

D. CONDOMINIUM SUBDIVISION PLAN. The condominium Subdivision Plan is a three-dimensional survey depicting the physical location and boundaries of each of the units and all of the general and limited common elements in the project. The Condominium Subdivision Plan also identifies all units and areas labeled "must be built".

E. ESCROW ARRANGEMENTS. All payments and deposits made by a purchaser of a Condominium unit pursuant to a Purchase Agreement shall be placed in escrow with Homestead Title Agency, Inc.,
7600 Grand River, Brighton, MI 48116 (Escrow Agent"). In addition, the Escrow Agent shall maintain sufficient funds or other security to complete improvements shown as "must be built" on the Condominium Subdivision Plan until such improvements are substantially complete. Funds retained in escrow are not to be released to the Developer until conveyance of title to the Condominium unit to a purchaser and confirmation by the Escrow Agent

that all improvements labeled "must be built" are substantially complete.

V. THE DEVELOPER.

A. DEVELOPER'S BACKGROUND AND EXPERIENCE. The Developer, Pittsfield Development, Inc., is a Michigan corporation established for the sole purpose of this project. The principals have extensive experience in the building industry and have previously constructed and developed single family residential homes and homesites in the Cities of Livonia and Westland: Summer Creek, Pine Creek, BiCentennial Estates and Arbor Park View (Livonia) and Dawson Estates, Bordeaux Subdivision and Palmer Gardens Condominiums (Westland).

B. NO LEGAL PROCEEDINGS INVOLVING THE CONDOMINIUM PROJECT OR THE DEVELOPER. The Developer is not presently aware of any pending judicial or administrative proceedings involving the Condominium project or the Developer.

VI. OPERATION AND MANAGEMENT OF THE CONDOMINIUM PROJECT:

A. THE CONDOMINIUM ASSOCIATION. The condominium affairs will be managed and administered by the ARBOR RIDGE CONDOMINIUM ASSOCIATION. The Association has been incorporated as a non-profit corporation under Michigan law. Each condominium owner automatically becomes a member of the Association. The Association Bylaws govern the procedural operations of the Association. The Association will be governed by a Board of Directors consisting of three members, the initial members of which are designees of the Developer.

B. "FIRST ANNUAL MEETING" means the first meeting of the Association at which co-owners unaffiliated with the Developer are permitted to vote for the election of directors. The First Annual Meeting of the Association may be convened by the Developer at anytime after certificates of occupancy have been issued for condominium residences on more than one-half (1/2) of the Units in the Project (Determined with reference to the Consolidating Master Deed) and must be held within 120 days after certificates of occupancy have been issued for condominium residences on three-quarters (3/4) of all Units in the Project or fifty-four (54) months after the sale of the first Unit in the Project whichever first occurs. The date, time and place of the First Annual Meeting shall be set by the Board of Directors and at least ten (10) days' written notice shall be given to each Co-owner.

Annual meetings of the Association will be held each year

following the First Annual Meeting for the purpose of conducting business of the Association and electing Directors for the succeeding year. Before each annual meeting, each Co-owner will receive notice stating the time, date, and location of the meeting and the matters to be considered at the meeting.

C. ADVISORY COMMITTEE. Within one hundred twenty (120) days after certificates of occupancy have been issued for condominium residences on one-third (1/3) of all the Units which may be created in the Project or one (1) year after the sale of the first Unit in the Project, whichever first occurs, the Developer must establish an Advisory Committee to serve as liaison between the Co-owners and the Developer. The Advisory Committee shall meet with the first Board of Directors for the purpose of facilitating communication and aiding the transition of control of the Board of Directors to the Co-owners. The Advisory Committee shall automatically cease to exist when a majority of the Board of Directors of the Association is elected by the co-owners unaffiliated with the Developer.

D. ELECTION OF NON-DEVELOPER CO-OWNERS TO BOARD BEFORE THE FIRST ANNUAL MEETING. Within one hundred twenty (120) days after certificates of occupancy have been issued for condominium residences on one-quarter (1/4) of all the Units which may be created in the Project, one (1) Director shall be elected by the Co-owners unaffiliated with the Developer. The Director so elected shall serve until the First Annual Meeting unless removed pursuant to the Association Bylaws.

E. ELECTION OF DIRECTORS AT AND AFTER THE FIRST ANNUAL MEETING. Within one hundred twenty (120) days after certificates of occupancy have been issued for condominium residences on three quarters (3/4) of all Units in the Project, the Co-owners shall elect all Directors to the Board provided that the Developer shall have the right to designate at least one (1) Director so long as the Developer owns and offers for sale at least ten percent (10%) of the Units which may be created in the Project.

F. CONDOMINIUM ASSOCIATION MANAGEMENT. The Condominium Bylaws grant the Association the option to employ a professional management agent to manage the affairs of the condominium. If the Developer enters into a management contract to manage the affairs of the project, the Association may terminate the contract upon the Transitional Control Date or at any time within ninety (90) days thereafter.

G. BUDGET. The Condominium Association will be financially

supported by assessments against the unit owners. As set forth in the Condominium By-laws, the Board of Directors must annually adopt a budget for the operation of the Project. Each unit owner will be assessed a share of the amount of money necessary to support that budget on a monthly basis based upon his unit's percentage of value in the Project. An adequate reserve fund for major repair and replacement of the common elements shall be established. At a minimum, when certificates of occupancy have been issued for Condominium residences on all Units, the reserve fund shall be equal to at least ten (10%) percent of the Association's current annual budget on a non-cumulative basis. Inasmuch as the Budget must necessarily be prepared before the start of the project, it reflects estimates of expenses which were made by the Developer based upon the historical experience of the Developer in other developments, and in part upon the estimates of persons other than the Developer. To the extent that the cost of goods and services necessary to service the condominium project may increase in the future, the budget and the expenses of the Association will also require upward revision. The current estimated Budget of the Association is attached to this Disclosure Statement as Appendix I.

H. ASSESSMENTS. Each owner of a unit shall pay a monthly assessment to the Association in proportion to the percentage of value assigned to his unit in the Master Deed. The Board of Directors may, without consent of the co-owners, increase the assessments in the event of emergencies, unforeseen contingencies, or if the assessments are insufficient to pay the costs of operation. Assessments are covered in detail in the Condominium Bylaws. If any assessment is not paid by its due date, the Board of Directors is authorized to charge a late charge, costs of collection, and to collect interest at the highest legal rate.

Dissatisfaction with management of the project is no legal excuse to withhold Association assessments. Under the Michigan law and the Condominium Documents, unpaid assessments constitute a lien against the owner's unit. If an owner fails to timely pay the assessment, the Association may foreclose upon the lien in the same manner as foreclosure of mortgages.

I. DEVELOPER'S RESPONSIBILITY FOR ASSOCIATION ASSESSMENTS. The Developer shall only be responsible for payment of full monthly Association assessments with respect to completed and occupied Units that it owns. A completed Unit is deemed to be a Unit with respect to which a Certificate of Occupancy has been issued by Pittsfield Township. The Developer shall not be responsible whatsoever to the Association for any payments in

connection with incomplete Units. The Developer shall independently pay all direct costs of maintaining incomplete Units for which it is not responsible to pay the regular maintenance assessments.

J. POSSIBLE OTHER LIABILITY. Each Purchaser is advised of the possible liability of each Co-owner under Section 58 of the Condominium Act: If the holder of a first mortgage or other purchaser of a condominium unit obtains title to that unit by foreclosing the mortgage, the holder of the first mortgage or other purchaser is not liable for unpaid assessments which are chargeable against that unit and which had become due prior to the foreclosure. These unpaid assessments become common expenses which are collectible from all unit owners, including the holder of the first mortgage who has obtained title to the unit through foreclosure.

K. INSURANCE.

(1) CO-OWNER COVERAGE. Each Co-owner shall obtain fire and extended coverage, vandalism, liability, and malicious mischief insurance for his Condominium residence and all other improvements constructed or to be constructed with the Unit or within the Limited Common Elements appurtenant to the Unit. All such insurance shall be carried by each Co-owner in an amount equal to the maximum insurance replacement value, excluding foundation and excavating costs. In addition, each Co-owner shall insure the personal property and contents within the Condominium residence and elsewhere with the Unit. UNDER NO CIRCUMSTANCE SHALL THE ASSOCIATION BE RESPONSIBLE TO OBTAIN ANY OF THE INSURANCE COVERAGE REQUIRED OF A CO-OWNER.

The Condominium Bylaws provide for the reconstruction and repair of damaged or destroyed Units in certain circumstances.

(2) ASSOCIATION COVERAGE. The Condominium Documents require that the Association carry fire, and extended coverage, liability, and worker's compensation insurance, if applicable, for all of the common elements in the Project, and such other insurance for those portions within the Units which the Association has responsibility for as set forth in the Master Deed. The insurance policies have deductible clauses and to the extent of the deductible losses will be borne by the Association. Each Co-owner's pro rata share of the annual Association insurance premiums is included in the monthly assessment. The Association insurance policies are available for inspection during normal working hours.

L. SPECIFICATIONS FOR BUILDING AND RESTRICTIONS ON OCCUPANCY AND USE. The Condominium Bylaws sets forth restrictions upon the building, improvement, occupancy and use of all Units in the project. It is not possible here to accurately and completely characterize all of these restrictions. Each prospective purchaser should review carefully the restrictions set forth in the Condominium Bylaws. The Association is entitled to enforce these restrictions through the courts by way of injunction, specific performance, and money damages.

VII. RIGHTS AND OBLIGATIONS AS BETWEEN DEVELOPER AND CO-OWNERS.

A. BEFORE CLOSING. The respective obligations of the Developer and the Purchaser of a Condominium Unit before closing are set forth in the Purchase Agreement and the Escrow Agreement. Each of these documents should be closely examined by all purchasers in order to ascertain the disposition of earnest money deposits advanced by purchaser, the time when closing will occur, and the obligation of the Purchaser to obtain a mortgage. The Purchase Agreement provides that the Developer shall furnish each purchaser a commitment for an owner's title insurance policy before closing. The policy itself shall be provided within a reasonable time after closing. The cost of the owner's commitment and policy is to be borne by the Developer. Each purchaser should review the title insurance commitment with a qualified advisor of his choice prior to closing to make certain that it conforms to the requirements of the Purchase Agreement.

B. AT CLOSING. Each purchaser will receive a Warranty Deed conveying fee simple title to the unit subject to instruments, restrictions, agreements and agreements of record the terms of any mortgage obtained by the Purchaser, and other encumbrances and restrictions contained in the condominium Documents and title insurance commitment. At closing, the Purchaser shall also pay an amount equal to two (2) month's estimated Condominium Association assessments to be used as a non-refundable working capital contribution for the Association.

C. WARRANTY. Each Purchase Agreement provides that at the time of closing, the Developer will give a Limited Warranty with regard to the Purchaser's Unit. The terms of the Limited Warranty are expressly limited as stated in the Warranty. The Developer warrants the Units against defects in workmanship and materials for a period of one (1) year from the date of closing. The warranty is extended only to the first purchaser of each Unit and is not transferable. The warranty expressly excludes various items from coverage.

THE LIMITED WARRANTY IS THE ONLY WARRANTY THE DEVELOPER SHALL GIVE. THERE ARE NO IMPLIED WARRANTIES OF ANY KIND, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY OR THE LIKE. IT IS RECOMMENDED THAT YOU EXAMINE THE LIMITED WARRANTY AND REVIEW IT PRIOR TO THE EXECUTION OF THE PURCHASE AGREEMENT.

VIII. LOCAL GOVERNMENT AND TAXES.

A. LOCAL GOVERNMENT. The project is located in the Township of Pittsfield.

B. REAL PROPERTY TAXES. Taxes upon the condominium units are assessed by the Township of Pittsfield and the County of Washtenaw. Pursuant to Michigan law, taxes are required to be assessed on the basis of fifty percent (50%) of true cash value. During the year in which the condominium Master Deed was recorded (1995) and the year in which any amendment to the Master Deed expanding the project is recorded, the real property taxes may not be separately billed but rather will constitute an expense of the Association to be shared by all Co-owners in proportion to their respective percentages of value. The Developer will contribute to payment of taxes in proportion to the number of Units it owns at the time the taxes fall due. In subsequent years, each Co-owner will receive an individual tax bill attributable to his Unit. It is impossible to determine with accuracy the amount of real property taxes which will fall due in subsequent years since those taxes are a function of both property values and tax rates which may either rise or fall.

IX. PURPOSE OF DISCLOSURE STATEMENT.

The Developer has prepared this Disclosure Statement in good faith and in an effort to disclose material facts about the project which it believes satisfy the requirements of the average purchaser. Each purchaser is urged to engage a lawyer or other advisor in connection with his or her decision to purchase a Unit. In accepting title to a Unit in the Condominium Project, each purchaser shall be deemed to have waived any claim or right arising out of or relating to any immaterial defect, omission, or misstatement as contained within or omitted from this Disclosure Statement.

The description of the Master Deed and other Condominium Documents contained in this Disclosure Statement are summary only and may or may not completely and accurately express the content of the various condominium documents described. Many of the terms used are

defined in the Condominium Act and in the Master Deed. Each purchaser is referred to the Master Deed and copies of the other Condominium Documents which the Developer has provided to each purchaser.

APPENDIX I

ARBOR RIDGE CONDOMINIUMS
FIRST YEAR PROPOSED BUDGET
(55 UNITS)

EXPENSES

<u>Administrative</u>	<u>Per Year</u>	<u>Per Month</u>	<u>Per Unit</u>
Accounting/Legal Management	\$1,000.00	\$ 83.33	\$ 1.52
Insurance	\$3,300.00	\$ 275.00	\$ 5.00
Misceellaneous	\$2,500.00	\$ 208.33	\$ 3.79
	\$ 660.00	\$ 55.00	\$ 1.00
 <u>Utilities</u>			
Electric/Water	\$2,500.00	\$208.33	\$ 3.79
 <u>Grounds Maintenance</u>			
Lawn Cutting	\$5,400.00	\$430.00	\$ 8.18
Snow Removal	\$5,000.00	\$416.67	\$ 7.58
Total operating Expenses	\$20,360.00	\$1,696.66	\$30.86
Reserves (10%)	\$ 2,036.00	\$ 169.67	\$ 3.09
Total Operating Budget	\$22,396.00	\$1,866.33	\$33.95
Assessment Per Unit Per Month			\$34 .00*

* The Developer has elected to round the monthly assessment off to the next dollar for ease of bookkeeping.