

Hickory Hills Condominium Subdivision

Condominium Buyer's Handbook

D I S C L O S U R E S T A T E M E N T

HICKORY HILLS CONDOMINIUM

Oceola Township, Livingston County
State of Michigan

Hickory Hills is a residential site condominium project containing 65 single family building sites, each of which constitutes a condominium unit. During the period ending six years from the recording date of the Master Deed, the project may be expanded by the addition of adjoining land to create 85 units in proposed Phase II and 55 units in proposed Phase III for a maximum of 205 units in the project as fully developed. With the authorization of Oceola Township, other lands may be added to the Condominium Project and if added the total maximum number of units will be increased.

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

IT IS RECOMMENDED THAT PROFESSIONAL ASSISTANCE BE SOUGHT PRIOR TO PURCHASING A CONDOMINIUM UNIT.

Effective date: _____

HICKORY HILLS CONDOMINIUM

DISCLOSURE STATEMENT

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DISCLOSURE STATEMENT HICKORY HILLS CONDOMINIUM

I. Introduction

Condominium development in Michigan is governed largely by Act 59 of the Michigan Public Acts of 1978, as amended (the "Condominium Act").

This Disclosure Statement, together with copies of the legal documents required for the creation and operation of the Project, are furnished to each purchaser pursuant to the requirement of Michigan law that the Developer of a Condominium Project disclose to prospective purchasers the characteristics of the condominium units which are offered for sale.

II. The Condominium Concept

A. General. Condominium is a method of subdividing and describing real property. A condominium unit has the same legal attributes as any other form of real property under Michigan law and may be sold, mortgaged or leased, subject only to such restrictions as are contained in the Condominium Documents or as otherwise may be applicable to the property.

Each owner receives a deed to his individual condominium unit. Each owner owns, in addition to his Unit, an individual interest in the common facilities ("Common Elements") which comprise the Project. 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 determined by the percentage of value assigned to his Unit in the Master Deed with each Unit being assigned an equal percentage of value.

All portions of the Project not included within the Units constitute the Common Elements. Limited Common Elements are those Common Elements which may be set aside for use by less than all Unit owners. General Common Elements are all Common Elements other than Limited Common Elements. The General Common Elements are described in Section 1 of Article IV of the Master Deed and the Limited Common Elements are described in Section 2 of Article IV of the Master Deed.

The project is administered generally by Hickory Hills Condominium Association of which all owners are members (the "Association"). The nature and duties of the Association are described more fully in Section VI of this Disclosure Statement.

Except for the year in which the Project is established or, in the case of Units added to an expanding Project by amendment to the Master Deed, the year in which any such 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. In the year in which the Project is established or in which an expansion amendment is recorded, the taxes and assessments for the Units covered by the Master Deed or expansion amendment usually are billed to the Association and are paid by the owners of such units in proportion to the percentages of value assigned to the Units owned by them.

B. Condominium Building Sites. Hickory Hills

Condominium is different from most residential condominium projects in this area because the condominium units in this Project consist of only the individual building sites, and the Common Elements do not include the residences and other improvements to be constructed on the sites or appurtenant to the sites as Limited Common Elements. Each condominium unit consists only of the land included within the boundaries of the condominium unit. In the more common form of residential condominium project, the units consist of the air space enclosed within each of the residence units, and the Common Elements include the exterior structural components of the residences. In Hickory Hills Condominium, each owner holds an absolute and undivided title to his Unit and to the Residence and other improvements located thereon (to the extent such improvements are not designated in the Master Deed as Common Elements). Unlike the usual residential condominium project, each owner in this Project also will be responsible for maintaining fire and extended coverage insurance on his Unit and the residence and other improvements located thereon and appurtenant thereto, as well as personal property, liability and other personal insurance coverage. The Association will maintain only liability insurance coverage for occurrences on the Common Elements and such other insurance on the Common Elements and otherwise as is specified in the Condominium Documents.

C. Other Information. Although the foregoing is generally accurate as applied to Hickory Hills Condominium, the details concerning any particular subject may vary substantially. Accordingly, each purchaser is urged to carefully review all of the documents contained in the Hickory Hills Condominium Purchaser Information Booklet as well as any other documents that have been delivered to the purchaser in connection with Hickory Hills Condominium. Any purchaser having questions pertaining to the legal aspects of the Project is advised to consult his own lawyer or other professional advisor.

III. Description of the Condominium Project.

A. Size, Scope and Physical Characteristics of the Project.

Hickory Hills Condominium is comprised of 65 residential Units in Phase I, each of which consists of a building site as delineated on the Condominium Subdivision Plan, and upon which is to be constructed a residence and related improvements. The Developer has reserved the right to expand Hickory Hills Condominium by adding 85 units in proposed Phase II and 55 units in proposed Phase III to a maximum of 205 Units.

B. Utilities. Hickory Hills Condominium is served by natural gas, electric, municipal waste water disposal and water supply, telephone service and cable television service. All services will be individually metered to each residence and will be the responsibility of the owner. Gas service is furnished by Consumers Power Company, electricity is furnished by Detroit Edison Company and telephone service is provided by Michigan Bell Telephone Company, sewage disposal and water supply by the Oceola-Genoa Sewer and Water Authority and cable television service by Columbia Cable Company. The costs of maintaining, repairing and replacing the utility leads (i.e., from the main to the point of entry to each residence) shall be the responsibility of the owner of each residence. Trash removal from each Unit will be the responsibility of the Co-owner.

C. Roads. All roads within the Project are intended to be private except for such part of Hickory Hills Boulevard that lies within the right of way for M-59. The Association will be responsible for maintaining and clearing (including snow removal) all roads in the Project. Replacement, repair and resurfacing of the roads will be necessary from time to time as circumstances dictate. It is impossible to estimate with any degree of accuracy future roadway repair or replacement costs. It shall be the responsibility of the Association to inspect and perform preventative maintenance of condominium roadways on a regular basis in order to maximize the life of such roadways and to minimize repair and replacement costs.

D. Reserved Rights of Developer

(1) Expansion of Project. The Developer has reserved the right to expand the Project into proposed Phase II consisting of 85 units and proposed Phase III consisting of 55 units on or before six years from the recording date of the Master Deed. In connection with such expansion, the Developer has also reserved the right to add all or a portion of certain adjacent land outside of proposed Phase II and proposed Phase III and 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 Project to achieve the purposes of such expansion, including, but not limited to, the connection of existing roadways to any roadways planned for the expansion land, and to provide access to any condominium units over such roadways. The Developer also has the ability to develop the expansion land without adding it to the Condominium.

(2) Sole Right to Approve/Construct Improvements. No residence or other improvement may be constructed in the Project until the Developer has approved the contractor and the plans and specifications for the residence or other improvement, or may the exterior appearance of any existing improvement in the Project be altered without the Developer's prior consent.

(3) Conduct of Sales Activities. Until all of the Units in the Project have been sold (including the initial phase and any expansion phases), the Developer has reserved the right to maintain on Unit 66 of the Condominium Property a sales office, a business office, model units, storage areas, reasonable parking incident to the use of such areas and such access to, from and over the Condominium Property as may be reasonable to enable development and sale of the Project.

(4) Right to Amend. In addition to Developer's expansion right, the Developer has reserved the right to amend the Master Deed and its exhibits without approval from owners and mortgages for the purpose of correcting errors and for any other purpose so long as the amendment would not materially change the rights of an owner or mortgagee. Further, the Master Deed cannot be amended without the Developer's approval during the development period.

(5) Easements. The Developer has reserved such easements over the Condominium Project (including all Units and Common Elements) as may be required to perform any of the Developer's maintenance, repair, decoration or replacement obligations and/or to further the Developer's development of adjoining lands.

(6) General. 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 as a condominium, including the power to approve or disapprove a variety of proposed acts and uses and the power to secure representation of the Board of Directors of the Association.

IV. Legal Documentation

A. General. Hickory Hills Condominium was established as a Condominium Project pursuant to the Master Deed recorded in the Livingston County records and contained in the Hickory Hills Condominium Purchaser Information Booklet. The Master Deed includes the Bylaws as Exhibit "A", the Condominium Subdivision Plan as Exhibit "B" and the Articles of Incorporation of Hickory Hills Condominium Association as Exhibit "C".

B. Master Deed. The Master Deed contains the definitions of certain terms used in the Condominium Documents, the percentage of value assigned to each Unit in the Condominium Project, a general description of the Units and General and Limited Common Elements included in the Project and a statement regarding the relative responsibilities for maintaining the residences and other improvements and the Common Elements in the Project. Article VII contains the provisions relating to the expansion of the Project, Article VI covers easements, Article V covers Unit Boundary Relocations, Article VIII covers the provisions for amending the Master Deed and Article IX provide that the

Developer may assign to the Association or to another entity any or all of its rights and powers granted or reserved in the Condominium Documents or by law.

C. Condominium Bylaws. The Bylaws contain provisions regulating building and use restrictions and other provisions relating to the operation, management and fiscal affairs of the condominium and, in particular, set forth the provisions relating to assessments of Association members for the purpose of paying the costs of operation of the Condominium Project. At the present time no rules and regulations have been adopted by the Board of Directors of the Association.

D. Condominium Subdivision Plan. The Condominium Subdivision Plan is a two dimensional survey depicting the physical location and boundaries of each of the Units and all of the Common Elements in the Project.

V. The Developer and Other Service Organizations

A. M-59, Inc. M-59, Inc., the developer of the Project, is a Michigan corporation established for the purpose of developing Hickory Hills Condominium. Hickory Hills Condominium is the first endeavor of M-59, Inc. in condominium development. The Developer expects to act as general contractor improving the Project site, including installation of utility mains, streets and grading of condominium units. The principals of the Developer are James D. Boldrey and Donalynn Scheuner. The Construction Manager of the Project is Howard Scheuner.

B. Legal Proceedings Involving the Condominium Project. The Developer is not 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 responsibility for management and maintenance of the Project is vested in the Hickory Hills Condominium Association, which has been incorporated as a Michigan nonprofit corporation. The Articles of Incorporation of the Association are contained in the Purchaser Information Booklet. The Bylaws include provisions that govern the procedural operations of the Association. The Association is governed by its Board of Directors whose initial members are designees of the Developer.

Within one hundred twenty (120) days after the conveyance of title to twenty-five percent (25%) of the Units that may be created, one of the three directors will be selected by the nondeveloper owners of the Units; and not later than one hundred twenty (120) days after the conveyance of title of fifty percent (50%) of the Units, the nondeveloper owners shall elect not less than one-third (1/3) of the directors, except that the Developer shall have the right to designate at least one director as long as it owns at least ten percent (10%) of the

Units that may be created in the Project. Regardless of the number of Units then conveyed, fifty-four (54) months after the first conveyance, nondeveloper owners may elect directors in proportion to the number of Units which they own.

Within one year from the date of the first conveyance, or within one hundred twenty (120) days after conveyance to purchasers of twelve (12) Units, whichever first occurs, the Developer shall establish an advisory committee to serve as liaison between the nondeveloper owners and the Developer.

The First Annual Meeting must be held on or before the expiration of one hundred twenty (120) days after nine (9) of the Units have been sold or within fifty-four (54) months after conveyance of the first Unit, whichever first occurs. At the First Annual Meeting, the co-owner members of the Association will elect directors, and the directors in turn shall elect officers of the Association. The Developer's voting rights are set forth in Article VIII, Section 2 of the Bylaws.

If the Project is not expanded and the Developer determines future expansion will not occur, the Developer may accelerate the transition of control of the Association by waiving the right to expand and waiving some or all of the rights to designate Directors of the Association provided in the Condominium Bylaws as contemplated by the Michigan Condominium Act and described above.

B. Percentages of Value. The percentage of value of each Unit in Hickory Hills Condominium is equal. The percentage of value assigned to each Unit determines, among other things, the value of each co-owner's vote and his proportionate share of regular and special Association assessments and of the proceeds of administration of the Project.

C. Project Finances.

(1) Budget. Article II of the Bylaws requires the Board of Directors to adopt an annual budget for the operation of the Project. The initial budget was formulated by the Developer and is intended to provide for the normal and reasonably predictable expenses of administration of the Project, and includes a reserve for replacement of major Common Element components of the Project. Since the budget must necessarily be prepared in advance, it reflects estimates of expenses. To the extent that estimates prove inaccurate during actual operations and to the extent that the goods and services necessary to serve the Condominium Project change in cost in the future, the budget and the current budget of the Association has been attached as an exhibit to this Disclosure Statement.

(2) Assessments. Each owner of a Unit, other than the Developer, must contribute to the Association to defray expenses of administration. Assessments are based upon the percentage of value assigned to each Unit. The Board of Directors may also levy special assessments in

accordance with the provisions of Article II, Section 2(b) of the Bylaws. The Developer's obligation for contributing to expenses of administration of the Project is set forth in Article II, Section 7 of the Bylaws.

(3) Other Possible Liabilities. Each purchaser is advised of the possible liability of each Unit owner under Section 58 of the Condominium Act:

If the holder of the first mortgage or other purchaser of a condominium unit obtains title to that unit by foreclosing that mortgage, the holder of the first mortgage or other purchaser is not liable for unpaid assessments which are chargeable against that unit and which have become due prior to foreclosure. These unpaid assessments are common expenses which are collectable from all unit owners including the holder of the first mortgage who has obtained title to the unit through foreclosure.

D. Condominium Association Management Contract. No Management Contract has been entered into with a management agent for the Project at this time, but it is expected that the management of the Project will be handled by an affiliate of the Developer. Section 55 of the Condominium Act allows the Condominium Association to void a Management Contract with the Developer or its affiliates to the extent it extends more than one year beyond the date that control of the Condominium Association is turned over to its members.

E. Insurance.

(1) Title Insurance. The Purchase Agreement provides that the Developer shall furnish each purchaser a commitment for an owner's title insurance policy issued by a title insurance company at or prior to closing, and that the policy itself shall be provided within a reasonable time after closing. The title insurance company for the Project, until changed by the Developer, is Metropolitan Title Insurance Company. 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.

(2) Other Insurance. The Condominium documents require that the Association carry fire and extended coverage, vandalism and malicious mischief and liability insurance and worker's compensation insurance, if applicable, with respect to all of the Common Elements of the Project. The insurance policies have deductible clauses and, to the extent thereof, losses will be borne by the Association. The Board of Directors is responsible for obtaining insurance coverage for the Association. Each 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. Upon request, a copy of the Certificate of Insurance with respect to the Condominium Project will be furnished to each owner upon closing the sale of his Unit.

Each owner is responsible for obtaining insurance coverage with respect to the residence and other improvements constructed on his Unit, including the contents thereof, and other appurtenances thereto, and for liability for injury within his Unit and the improvements thereon and upon Limited Common Elements assigned to his Unit, if any.

The Association should periodically review all insurance coverage to be assured of its continued adequacy and each owner should do the same with respect to his personal insurance.

F. Restrictions on Ownership, Occupancy and Use. The Bylaws set forth restrictions upon the ownership, occupancy and use of a Unit in the Condominium Project. It is impossible to paraphrase these restrictions without risking the omission of some provision that may be of significance to a purchaser. Consequently, each purchaser should examine the restrictions with care to be sure that they do not infringe upon an important uses intended by the Purchaser.

VII. Rights and Obligations as Between Developer and Owners

A. Before Closing. The respective obligations of the Developer and the purchaser of a condominium unit in the Project prior to closing are set forth in the Purchase Agreement and the Escrow Agreement. Those documents contain, among other provisions, the provisions relating to the disposition of earnest money deposits advanced by the purchaser prior to closing and the anticipated closing adjustments, and should be closely examined by all purchasers. The Escrow Agreement provides, pursuant to Section 103b of the Condominium Act, that 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 Developer until conveyance of title to a purchaser and confirmation by the escrow agent that all improvements labeled "must be built" are substantially complete. The only improvements labeled "must be built" on the Condominium Subdivision Plan are streets and utility mains since the Units are unimproved building sites.

B. At Closing. Each Purchaser (other than a land contract purchaser) will receive, by warranty deed, fee simple title to his Unit, excepting oil, gas and mineral rights, subject to no liens or encumbrances other than the Condominium Documents and those other easements and restrictions as are specifically set forth in the Condominium Documents and the purchase agreement for the Unit.

C. C. After Closing.

(1) General. Subsequent to the purchase of the Unit, relations between the Developer and the owner are governed by the Master Deed and the Condominium Act, except to the extent that any provisions of the Purchase Agreement are intended to survive the closing.

(2) Condominium Project Warranties. The Seller is warranting only that certain utility mains have been or will be installed to the perimeter of each unit to serve such unit and that, upon payment of normal fees, purchaser will be entitled to issuance of a building permit with respect to his unit. The Developer warrants that the private roads and utilities providing access and utility services to the unit will be constructed in a good and workmanlike manner. The Developer will make reasonable repairs to cure defects when written notice of the defects is given to the Developer with one (1) year of substantial completion. A road is substantially complete when it can be used by cars and light trucks on a regular basis. A utility service is substantially complete when it can be connected to, and provide regular service for, homes to be constructed on the Units.

VIII. Purpose of Disclosure Statement

The Developer has prepared this Disclosure Statement in good faith, in reliance upon sources of information believed to be accurate and in an effort to disclose material facts about the Project. Each Purchaser is urged to engage a competent 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 in this Disclosure Statement. Certain of the terms used herein are defined in the Condominium Act or the Master Deed of the Project.

The Michigan Department of Commerce publishes The Condominium Buyers Handbook which the Developer has delivered to you. The Developer assumes no obligation, liability, or responsibility as to the statements contained in/or omitted from The Condominium Buyers Handbook.

The description of the Master Deed and other instruments contained herein are summary only and may or may not completely and adequately express the content of the various Condominium Documents. Each purchaser is referred to the Master Deed and other instruments contained in the Purchaser Information Booklet. In accordance with the rules of the Michigan Department of Commerce, legal phraseology, technical terms and terms of art have been minimized and brevity has been the objective to the extent consistent with the purpose of the Disclosure Statement and rules of the Michigan Department of Commerce.

A P P E N D I X I

**HICKORY HILLS CONDOMINIUM
PROPOSED ANNUAL BUDGET**

The following budget is made by the Developer regarding the common expenses which will most likely be incurred by the Association of Co-owners in the first year of its operation and is based upon estimates as projected and identified below.

Lawn maintenance, snow removal, road maintenance and repair, etc.	\$ 2,300.00
Insurance *	1,500.00
Accounting, legal, misc. expenses	2,500.00

Reserve for major repair and replacement **	1,500.00
 TOTAL ANNUAL BUDGET	 \$ 7,800.00

Therefore, based upon the above estimates, the monthly assessment which each Co-owner would pay per unit would be approximately \$10.00 per month. The Developer will supplement the budget for the calendar year 1995.

* The insurance estimate includes vandalism and malicious mischief and liability insurance

** The reserve for major repair and replacement of common elements is based upon an estimate of approximately 21% of the total. There is no assurance that this amount will be adequate.

All of the above amounts can be adjusted as the Association of Co-owners deems appropriate. They are shown here merely as the Developer's best estimate for the first year of operation. There are no other fees, payments or services which are paid or furnished directly or indirectly by the Developer, which would later become an expense of administration although the Association of Co-owners could decide or determine other expenditures are necessary.
