

DISCLOSURE STATEMENT
ARBOR HILLS
(A SINGLE FAMILY SITE CONDOMINIUM)

TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
1. INTRODUCTION	1
2. THE CONDOMINIUM CONCEPT	1
3. DESCRIPTION OF THE CONDOMINIUM PROJECT	2
4. RIGHTS AND OBLIGATIONS AS BETWEEN THE DEVELOPER AND OWNERS	4
5. ESCROW AGREEMENT	5
6. MANAGEMENT OF THE CONDOMINIUM ASSOCIATION	6
7. BUDGET AND ASSESSMENTS	6
8. RESTRICTIONS	7
9. THE DEVELOPER	8
10. INSURANCE	8
11. POSSIBLE LIABILITY FOR ADDITIONAL ASSESSMENTS BY THE ASSOCIATION	9
12. PURPOSE OF DISCLOSURE STATEMENT	9

Exhibit A - Proposed First Annual Budget

DISCLOSURE STATEMENT

ARBOR HILLS

(A SINGLE FAMILY SITE CONDOMINIUM)

1. INTRODUCTION

Condominium development in Michigan is governed largely by Act 59 of the 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, (together herein called the "Condominium Act").

This Disclosure Statement, together with copies of the legal documents required for the creation and operation of this Condominium 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. The terms used herein have the same meaning as the same terms used in the Master Deed.

2. THE CONDOMINIUM CONCEPT

A Condominium 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 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 the Owner's individual Condominium Unit. Each Owner owns, in addition to the Owner's Unit, an undivided 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 the Owner's Unit in the Master Deed.

All portions of the Project not included within the Units constitute the Common Elements. Limited Common Elements are those Common Elements which are set aside for use by less than all Unit Owners. General Common Elements are all Common Elements other than limited Common Elements.

The Project is administered generally by a non-profit corporation of which all Owners are members (the "Association"). The nature and duties of the Association are described more fully in Section 4 of this Disclosure Statement.

Except for the year in which the Project is established, 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. The year in which the Project is established, the taxes and assessments

for the Units covered by the Master Deed 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.

Arbor Hills is different from many residential Condominium Projects in this area because the Condominium Units in this Project consist of only the individual building sites on which residential dwellings and other improvements may be built, and the Common Elements do not include the residential dwellings. Each Condominium Unit consists of only the land included within the perimeter of a Condominium Unit. In the more common form of Condominium Project, the Units consist of the air space enclosed within each of the dwelling Units, and the Common Elements include the exterior structural components of the residential dwellings. In Arbor Hills, each Owner holds an absolute and undivided title to such Owner's Unit and to the dwelling 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 residential Project also will be responsible for maintaining fire and extended coverage insurance on the Owner's Unit and the dwelling 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.

Although the foregoing is generally accurate as applied to most residential Condominium developments, the details of each development may vary substantially. Accordingly, each purchaser is urged to review carefully all of the documents contained in the Arbor Hills Purchaser Information Booklet, as well as any other documents that have been delivered to the purchaser in connection with this development. Any purchaser having questions pertaining to the legal aspects of the Project is advised to consult a lawyer or other professional advisor.

3. DESCRIPTION OF THE CONDOMINIUM PROJECT

3.1 Size and Scope of Project. Arbor Hills is being created in Ann Arbor, Washtenaw County, Michigan. The Master Deed includes sixty-five (65) Condominium Units. A more detailed description of the development will be found in the Condominium Plan which is attached to the Master Deed. The right has been reserved by the Developer to expand the Project in the future by the addition of more Units.

3.2 Utilities. Arbor Hills is served by public water, sanitary and storm sewers, gas, electric and telephone service. Gas service is furnished by Michigan Consolidated Gas Company, electricity is furnished by Detroit Edison Company and telephone service is provided by Michigan Bell Telephone Company. All utilities will be metered to each dwelling and paid by the Owner of the dwelling or the Owner's tenant. The costs of maintaining, repairing and replacing the sanitary sewer and water leads (i.e., from the main to the point of entry to each dwelling) shall be borne by the Owner whose Unit is serviced by those leads. The storm sewer inlets shall be maintained by the Association. After dedication to and acceptance by the City of Ann Arbor, the City will assume responsibility for maintenance of water and sewer lines, except as described above.

3.3 Roads and Street Lights

3.3.1 No Dedication of Roads to City of Ann Arbor. Most roads in the Project will be private roads, and not dedicated to the City of Ann Arbor. As to these private roads, the Association will be responsible for repairs, maintenance including twice yearly cleaning and snow removal.

3.3.2 Street Light Operation and Maintenance. Street lights in the Project may be Common Elements, with the Association being responsible for the maintenance and operation thereof.

3.3.3 Assessment for the Green Road Improvements. If the City of Ann Arbor undertakes a special assessment Project to improve Green Road or other public improvement benefitting the Project, on or off the Project premises, each Unit in the Condominium must pay a portion of the assessment, based upon the percentage of value of each Unit in the Condominium as this relates to the assessment for the entire Condominium Project.

3.4 Restrictions. The Condominium property is located in the City of Ann Arbor, Washtenaw County, Michigan, and is subject to applicable zoning and use restrictions and other laws and ordinances imposed by the City of Ann Arbor and other governmental authorities. Building and use restrictions including restrictions imposed pursuant to the recorded Site Development Agreement between the Developer and the City of Ann Arbor are contained in the Master Deed and Bylaws.

3.5 Reserved Rights of the Developer

3.5.1 Sole Right to Approve Improvements. No dwelling or other improvement in the Project may be constructed until the Developer approves the plans and specifications therefor.

3.5.2 Conduct of Commercial Activities. The Developer has reserved the right, until all of the Units in the Project have been sold (including the initial phase and any expansion phases), to maintain on the Condominium premises 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 premises as may be reasonable to enable development and sale of the entire Project. The Developer is obligated to restore the areas so utilized to habitable status upon termination of use.

3.5.3 Right to Amend. The Developer has reserved the right to amend the Master Deed and the exhibits thereto without approval from Owners and mortgagees for the purpose of correcting errors, including correction of Unit lines if any construction encroaches outside the Unit perimeter, and for any other purpose. Any such amendment that would materially change the rights of an Owner or mortgagee may be made only with the approval of sixty-six and two-thirds percent (66 2/3%) of the Owners and the first mortgagees. Further, certain provisions of the Master Deed cannot be amended without the Developer's approval.

3.5.4 Easements

3.5.4.1 For Maintenance, Repair and Replacement. 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 rights.

3.5.4.2 For Use of Utilities. The Developer has reserved easements to utilize, tap, tie into, extend and enlarge all utility mains in the Project in connection with the expansion of the Project or the development of separate Projects on the expansion land. The Developer has further reserved the right to grant easements for utilities to appropriate governmental agencies or utility companies and transfer title of utilities to state, county or local governments.

3.5.4.3 For Use of Roads. The Developer has reserved easements and rights of use over the roads for the purpose of ingress and egress to and from all or any portion of the expansion parcel.

3.5.5 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 on the Board of Directors of the Association.

3.6 Recreational Facilities. This Project contains no recreational facilities.

3.7 Improvements, Lawns and Driveways. All improvements made on any Unit shall be deemed the property of the Co-owner of the Unit, and shall be maintained by the Co-owner at the Co-owner's expense. This includes the maintenance of the dwelling, exterior and interior, the lawns, and the driveways, including snow removal, except maintenance of any Common Elements which is the obligation of the Association.

3.8 Parkland Easements. Certain parkland areas will be dedicated by the Developer to the City of Ann Arbor. Public access easements are established over the private roads and for a pedestrian walkway from Green Road to the public parks.

3.9 Conservation Easements. Conservation easements areas are established for conservation of certain wetlands, woodlands and open spaces as set forth in the Master Deed. The Association has certain responsibilities for monitoring and maintaining the conservation areas and certain activities are prohibited, as set forth in the Master Deed.

3.10 Storm Water Drainage and Detention Easements. Storm water drainage and detention easements are established to assure the perpetual function of the storm water drainage and detention system of the Condominium. The Association will be responsible for maintenance of system in accordance with schedules approved by applicable governmental authorities, as set forth in the Master Deed.

4. RIGHTS AND OBLIGATIONS AS BETWEEN THE DEVELOPER AND OWNERS

4.1 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 accompanying 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. Improvements that "must be built" with relation to Condominium building sites such as Arbor Hills include those improvements necessary to obtain a building permit for the construction of a dwelling but do not include the costs of construction of the dwelling itself, for which no such escrow is required. 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.

4.2 At Closing. Each purchaser (other than a land contract purchaser) will receive by warranty deed fee simple title to the purchaser's Unit, subject to no liens or encumbrances other than those placed on the Unit by purchaser and those provided by the Condominium Documents and those other easements and restrictions as are specifically set forth in the Condominium Documents and title insurance commitment.

4.3 After Closing

4.3.1 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.

4.3.2 Condominium Project Warranties. The Developer does not warrant the condition of the Condominium or any improvements, except as may be set forth in any contract between the Developer and a purchaser of a Unit.

5. ESCROW AGREEMENT

The Developer has entered into an Escrow Agreement with American Title Company of Washtenaw which provides that all deposits made under purchase agreements for the purchase of a Unit (but not any deposit for construction of a residence) be placed in escrow. The Escrow Agreement provides for the release of an escrow deposit to any purchaser who withdraws from a Purchase Agreement in accordance with the Purchase Agreement. Such a withdrawal is permitted by each Purchase Agreement if it takes place within nine (9) business days after the purchaser has received all of the Condominium Documents (unless the purchaser waives such withdrawal right), or if the Purchase Agreement is conditional upon obtaining a mortgage and purchaser is unable to do so. The Escrow Agreement also

provides that a deposit will be released to the Developer if the purchaser defaults on any obligation under the Purchase Agreement after the Purchase Agreement has become binding upon the purchaser. The Escrow Agreement also provides that deposits will be released to the Developer when the Escrow Agent has received certification from an engineer or architect that any structures or improvements on the Condominium Plan that are labeled "must be built," are substantially complete.

The Escrow Agreement does not cover, and funds will not be escrowed to assure completion of any residential buildings to be constructed by the Developer.

6. MANAGEMENT OF THE CONDOMINIUM ASSOCIATION

The common affairs of the Co-owners and all matters relating to the Common Elements of the Condominium will be managed exclusively by Arbor Hills Condominium Association, a Michigan non-profit corporation. As each individual purchaser acquires title to a Condominium Unit, the purchaser will also become a member of the Condominium Association. The manner in which the Association will be run by its members, its officers and its Board of Directors is set forth in the Condominium Documents which are included with each purchaser's information package. The Condominium Association was formed by certain persons acting at the request of the Developer. These persons make up the first Board of Directors of the Condominium Association to control the affairs of the Condominium Association until other directors are elected. The election of directors by Co-owners (including the Developer voting as a Co-owner) cannot take place later than fifty-four (54) months after the first closing of a Unit. It is likely that the non-developer Co-owners will have voting rights sooner than that time, depending upon the number of Units conveyed. Voting rights are set forth in detail in Article 9 of the Condominium Bylaws, and these provisions should be carefully reviewed. Within one (1) year after the first conveyance of a Unit, or one hundred twenty (120) days after conveyance of one-third (1/3) of all the Units which may be created, whichever occurs first, an advisory committee of Co-owners will be established to facilitate communication and aid transition of control to the Co-owners.

7. BUDGET AND ASSESSMENTS

The budget required to conduct the business of the Association has been estimated by the Developer. A copy of the estimated budget for the first year of operation is attached to this Disclosure Statement. The initial Condominium assessments charged to members are based upon this budget; however, it must be kept in mind that this is an estimate only, and there can be no guarantee that the budget will be sufficient to meet the expenses of the Association. It is normal for Association expenses to increase on a regular basis. The Association's only source of revenue to fund its budget is by the assessment of its members. Each Co-owner must pay to the Association an annual assessment which is determined in part by dividing the projected budget by the member's percentage of value which is stated in the Master Deed. The annual assessment must be paid to the Association by each Co-owner in 12 equal monthly assessments in advance, or at the election of the Association, annually or in other periodic installments in advance. In the event that the Association incurs expenses which are not anticipated in the budget, the Association may also levy special assessments to cover such expenses. Any special assessments would be allocated to the Co-owners in accordance with the percentages of value stated in

the Master Deed. The Developer will not pay Association assessments but will pay for the maintenance and insurance of its own Units. The Developer will only pay regular periodic assessments for Units owned by the Developer on which a completed residential dwelling is located.

8. RESTRICTIONS

Article 6 of the Condominium Bylaws contains comprehensive restrictions on the use of the Condominium Units and the Common Elements. It is impossible to paraphrase these restrictions without risking the omission of some portion 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 intended use.

The following is a list of certain of the most significant restrictions:

8.1 No Condominium Unit in the Condominium Project may be used for other than a single-family residential purpose except for Units used by the Developer as model Units and/or a sales office.

8.2 No Co-owner shall create a nuisance or annoyance.

8.3 No trailers or recreational vehicles may be stored outdoors.

8.4 Only domestic pets may be kept.

8.5 The Common Elements may not be used for storage of any kind by any Co-owner except where the Common Elements are specifically so intended.

8.6 The Common Elements may not be obstructed in any way.

8.7 No signs may be used on the premises by any Co-owner (excluding the Developer), other than those which must be permitted under law and "For Sale" signs of not more than five square feet.

8.8 The Association may impose reasonable regulations in addition to the regulations in the Condominium Bylaws.

8.9 No Co-owner may perform any landscaping or plant any trees, shrubs or flowers or place any ornamental materials more than thirty (30) inches above the sidewalk grade within twenty-five (25) feet of the corner of any corner Unit, where streets come together.

8.10 The Condominium Bylaws contain minimum house size requirements.

8.11 No fences are permitted, unless decorative or ornamental. No chain link fences are permitted. No fences may be installed between the rear line of the dwelling and the street. Fences may only start at the rear of the dwelling and be placed in the rear yard.

8.12 Dish-type antennae are not permitted.

8.13 Use of lawn care chemicals and fertilizers shall be restricted by rules and regulations to be adopted by the Board of Directors to minimize the environmental effect on adjacent wetlands.

8.14 Leasing of homes is permitted, subject to certain provisions specified in the Condominium Bylaws.

9. THE DEVELOPER

9.1 The Developer's Background and Experience. Guenther Building Co. has developed many commercial and residential real estate projects in the Washtenaw County area.

In 1981, Guenther Building Co. established Nature Cove Condominium, a fifty-nine (59) Unit Project in southeast Ann Arbor, which is one hundred percent (100%) sold and complete. Since 1981, Guenther Building Co. has expanded into multiple Unit apartment complexes and commercial office projects.

In 1991, Guenther Building Co. developed Foxfire, a single-family residential condominium, much of which is now developed and sold.

Guenther Building Co. has just completed development of Oakbrook Condominiums, and is now developing Oakbrook Villas Condominiums.

Guenther Building Co. is now involved as a defendant in the following legal proceeding:

Kus v Guenther Building Co., Washtenaw County Circuit Court
Case No. 94-1907 CK, regarding a claim related to construction
issues.

Deng v Guenther Building Co., 15th District Court, Case No. 94-2262
GC, regarding a claim related to construction issues.

9.2 Legal Proceedings Involving the Condominium Project. The Developer is not presently aware of any pending judicial or administrative proceedings involving the Condominium Project.

10. INSURANCE

The Condominium Documents provide that the Association shall 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 Association will also carry liability insurance on the Association and its property, plus officer's and director's liability

insurance, if reasonably obtainable. The Board of Directors is responsible for obtaining insurance coverage for the Association. Each Owner's pro rata share of annual Association insurance premiums is included in the periodic assessment. The Association insurance policies are available for inspection during normal working hours. A copy of the Certificate of Insurance with respect to the Condominium Project will be furnished to each Owner upon closing the sale of the Owner's Unit.

In this Condominium Project, all dwellings and improvements will be owned by the individual Co-owners of the Units, and thus the Condominium Association will not be required to carry any fire insurance on the Units.

Each Co-owner is responsible for obtaining insurance coverage with respect to the dwelling and other improvements on the Owner's Unit, including the contents thereof, and other appurtenances thereto, and for liability for injury within the Co-owner's Unit and the improvements thereon and upon limited Common Elements assigned to the Co-owner's Unit.

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

11. POSSIBLE LIABILITY FOR ADDITIONAL ASSESSMENTS BY THE ASSOCIATION

It is possible for Co-owners to become obligated to pay a percentage share of assessment delinquencies incurred by other Co-owners. This can happen if a delinquent Co-owner defaults on a first mortgage and if the mortgagee forecloses. The delinquent assessments then become a common expense which is re-allocated to all the Co-owners, including the first mortgagee, in accordance with the percentages of value in the Master Deed. Article 2, Section 2.6 of the Condominium Bylaws provides in part:

"Liability of Mortgagee. Notwithstanding any other provisions of the Condominium Documents, the holder of any first mortgage covering any Unit in the Project which comes into possession of the Unit pursuant to the remedies provided in the mortgage or by deed (or assignment) in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such holder comes into possession of the Unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units including the mortgaged Unit)."

12. PURPOSE OF DISCLOSURE STATEMENT

This Disclosure Statement was prepared by the Developer in compliance with the Michigan Condominium Act. This statement paraphrases various provisions of the Purchase Agreement, Escrow Agreement, Master Deed, and other documents required by law. This statement only highlights certain provisions of such documents and by no means contains 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 statement omits most legal phrases, definitions and detailed provisions of the other documents. This statement is not a substitute for the legal documents from which it draws information, and the rights of purchasers and other parties will be controlled by the other legal documents 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.

The Developer is required by law to prepare this statement. However, the Developer disclaims liability to any purchaser for misstatements herein (or for omissions which make statements herein appear misleading) if such misstatements were made by the Developer in good faith, or were immaterial in nature, or were not relied upon by the purchaser, or did not result in any damages to the purchaser. The Developer is required to give each purchaser a copy of The Condominium Buyers Handbook. This handbook was prepared by the Michigan Department of Commerce, and the Developer accepts no responsibility for its contents.

PROPOSED FIRST ANNUAL BUDGET

ARBOR HILLS

(A SINGLE FAMILY SITE CONDOMINIUM)

Insurance	\$ 200.00
Street Maintenance and Lighting	2,000.00
Snow Removal of Roads	1,600.00
Road Maintenance	700.00
Street Cleaning	<u>700.00</u>
	5,200.00
10% Reserve	<u>520.00</u>
Total for 65 Units	<u>\$5,720.00</u>

Annual Association dues per unit \$88.00