

DISCLOSURE STATEMENT

ABERDEEN CONDOMINIUM

Raisinville Township
Monroe County, Michigan

DEVELOPER
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Aberdeen Condominium is a 47 site residential condominium

THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR THE MASTER DEED, THE CONDOMINIUM BUYER'S 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.

FURTHER, THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH OR REVIEWED BY ANY DEPARTMENT OR BUREAU OF THE STATE OF MICHIGAN, NOR HAS ANY AGENCY OR GOVERNMENTAL SITE UNDERTAKEN TO PASS ON THE VALUE OR THE MERITS OF THIS DEVELOPMENT AND ANY STATEMENT OR REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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

Effective date: July 20, 2001

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DISCLOSURE STATEMENT ABERDEEN CONDOMINIUM

I. Introduction

Condominium development in Michigan is governed by Act 59 of the Michigan Public Acts of 1978, as amended (the "Condominium Act"). Aberdeen Condominium is a residential site condominium.

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 requirements of Michigan law which requires that the Developer of a condominium project fairly and accurately disclose to prospective purchasers the characteristics of the condominium sites which are offered for sale. The disclosure is made by furnishing each purchaser with a Disclosure Statement in a form that summarizes the significant features of the condominium project as well as with copies of the legal documents required for, or material to, the creation and operation of the condominium. This disclosure, along with the legal documents described in the Condominium Buyers Handbook, constitute the only authoritative description of Aberdeen Condominium and none of the Developer's directors, officers, employees or agents, including but not limited to sales representatives, are permitted to vary the terms contained therein.

II. The Condominium Concept

Condominium is a form of real property. A condominium site 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 property.

Each owner receives a deed to his individual condominium site. Each owner owns, in addition to his site, an undivided interest in the common facilities ("common elements") that comprise the project. Title to the common elements is included as part of, and is inseparable from, title to the individual condominium sites. Each owner's proportionate share of the common elements is determined by the percentage of value assigned to his site in the Master Deed described in Section IV of this Disclosure Statement.

All portions of the project not included within the sites constitute the common elements. Limited common elements are those common elements that are set aside for

use by less than all site 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 VI of this Disclosure Statement.

Except for the year in which the project is established, (or, in the case of sites added to an expanding project by subsequent amendment to the Master Deed, the year in which such amendment is recorded), real property taxes and assessments are levied individually against each site in the project. The separate taxes and assessments cover the site and its proportionate share of the common elements. No taxes or assessments are levied independently against 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 sites covered by the Master Deed or expansion amendment are billed to the Association and are paid by the owners of such sites in proportion to the percentages of value assigned to the sites owned by them.

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 carefully review the Master Deed, Condominium Bylaws and Condominium Subdivision Plan 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 his own lawyer or other professional advisor.

III. Description of the Condominium Project

A. **General.** Aberdeen Condominium is a 47 site residential condominium project.

B. **Utilities.** Aberdeen Condominium is served by water, sanitary sewer, gas, electric and telephone service. The Association will be responsible for the maintenance, repair and replacement of the water, sanitary sewer and other utility lines in Aberdeen Condominium up to the point of connection with each site. It is impossible to estimate with any degree of accuracy the maintenance, repair and replacement costs of these utility lines.

C. **Roads.** Aberdeen Condominium is served by two private access roads, Ashington and Newcastle, which connect Raisinville Road (a public road) with Aberdeen Lane, a private road. The interior roads in Aberdeen Condominium are private and also will be maintained by the Association. Replacement, repair and resurfacing of all roads, within the project including the access 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 preventive maintenance on condominium roadways on a regular

basis in order to maximize the life of the project roadways and to minimize repairs and replacement costs.

D. Reserved Rights of Developer.

(1) **Modification of Sites.** The Developer has reserved the right to contract the condominium project and to modify the size, location, design or elevation of sites and/or general or limited common elements by amendment to the Master Deed. Such modifications shall be in the sole discretion of the Developer without the consent of any other person.

(2) **Conduct of Commercial Activities.** The Developer has reserved the right to maintain on the condominium premises an office for conduct of commercial activities as it may elect together with a sales office, a business office, model sites, 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, sale and operation.

(3) **Right to Amend.** The Developer has reserved the right to amend the Master Deed without approval from 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 an owner or mortgagee. Further, certain provisions of the Master Deed cannot be amended without Developer approval.

(4) **Easements.** The Developer has reserved such easements over the condominium project (including all sites and common elements) as may be required to perform any of the Developer's or the Association's maintenance, repair, decoration or replacement obligations.

(5) **Easements 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 adjacent land.

(6) **Easements for Use of Roads.** 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 any portion of the land that hereafter may be added to the project, regardless of how such land ultimately may be used.

(7) **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 Association Board of Directors.

Each Purchaser is urged to review these easements and all other easements and restrictions of record with his attorney in connection with his decision to purchase a site in Aberdeen Condominium.

IV. **Legal Documentation**

A. **General.** Aberdeen Condominium was established as a condominium project pursuant to a Master Deed recorded in the Monroe County Records. The Master Deed includes the Condominium Bylaws as Exhibit A and the Condominium Subdivision Plan as Exhibit B.

B. **Master Deed.** The Master Deed contains the definitions of certain terms used in connection with the project, the percentage of value assigned to each site in the project, a general description of the sites and common elements included in the project and a statement regarding the relative responsibilities for maintaining the common elements. Article VI covers contraction of the project, Article VII covers consolidation and other modifications of the project, Article VIII covers other modifications made to the project, Article IX covers easements, Article X covers provisions for amending the Master Deed, and Article XI provides that the Developer may assign to the Association or to any other entity any or all of its rights and powers granted or reserved in the condominium documents or by law.

C. **Condominium Bylaws.** The Condominium Bylaws contain 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. Article VI contains certain restrictions upon the ownership, occupancy and use of the condominium project. Article VI also contains provisions permitting the adoption of rules and regulations governing the common elements. At the present time, the Board of Directors of the Association has adopted no rules and regulations.

D. **Condominium Subdivision Plan.** The Condominium Subdivision Plan is a survey depicting the physical location and boundaries of each of the sites and all of the common elements in the project.

V. **The Developer**

A. **Developer's Background and Experience.** The Developer of Aberdeen Condominium is Aberdeen Development, LLC, a Michigan limited liability company, the

members of which are Ronald Blank, David Phipps and Andrew Blank. David Phipps has had experience as a residential and condominium developer. Ronald and Andrew Blank have had prior experience in residential development but this is their first condominium project.

B. 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 responsibility for management and maintenance of the project is vested in the Aberdeen Condominium Association, which has been incorporated as a non-profit corporation under Michigan law. 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 120 days after conveyance of legal or equitable title to non-developer co-owners of 25% in number of the sites that may be created, 1 but not less than 25% of the directors will be selected by non-developer co-owners of sites; within 120 days after conveyance of legal or equitable title to non-developer co-owners of 50% in number of the sites that may be created, not less than 33% of the directors will be selected by non-developer co-owners of sites; and 120 days after conveyance of legal or equitable title to non-developer co-owners of 75% in number of the sites that may be created, the non-developer co-owners shall elect all directors, except that the Developer shall have the right to designate at least 1 director as long as it owns at least 10% of the sites in the project. Regardless of the number of sites conveyed, 54 months after the first conveyance, non-developer co-owners may elect directors in proportion to the number of sites which they own.

Within 120 days after 1/3 of the total number of sites that may be created have been conveyed or 1 year from the date of the first conveyance, whichever first occurs, the Developer shall establish an advisory committee to serve as liaison between the non-developer co-owners and the Developer.

The First Annual Meeting must be held on or before the expiration of 120 days after the conveyance of legal or equitable title to non-developer co-owners of 75% in number of all sites that may be created or within 54 months after conveyance of the first site, 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 for the Association. The Developer's voting rights are set forth in Article I of the Bylaws.

B. Percentages of Value. The percentages of value for Aberdeen Condominium were computed on the basis of comparative characteristics of various sites. The percentage of value for each site is equal. Total value for the entire project is precisely 100. In Aberdeen Condominium, the percentage of value assigned to each site 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 Condominium Bylaws requires the Board of Directors to adopt an annual budget for the operation of the project. The initial budget for the project 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 structural and other components of the project in the future. Inasmuch as the budget necessarily must be prepared in advance, it reflects the estimates of expenses made by the Developer. To the extent that estimates prove inaccurate during actual operations and to the extent that the goods and services necessary to service the condominium project change in cost in the future, the budget and the expenses of the Association also will require revision. The current budget of the Association has been attached to this Disclosure Statement.

(2) **Assessments.** Each co-owner of a site included within the project must contribute to the Association in proportion to the percentage of value assigned to the site(s) owned by him to defray expenses of administration. The Board of Directors may also levy special assessments in accordance with the provisions of Article II of the Condominium Bylaws.

The Developer shall only be responsible for payment of the full monthly Association assessment with respect to completed and occupied sites that it owns. The Developer shall not be responsible whatsoever to the Association for any payments in connection with incomplete sites which are not occupied. The Developer shall independently pay all direct costs of maintaining incomplete sites for which it is not responsible to pay the regular maintenance assessments.

(3) **Possible Additional Liability.** Each purchaser is advised of the following possible liability of each co-owner under Section 58 of the Condominium Act:

If the holder of the first mortgage or other purchaser of a condominium site obtains title to that site by foreclosing that mortgage, the holder of the first mortgage or other purchaser is not liable for unpaid assessments which are chargeable against that site and which had become due prior to

foreclosure. These unpaid assessments are common expenses which are collectible from all site Owners including the holder of the first mortgage who has obtained title to the site through foreclosure.

D. Condominium Association Management Contract. The Condominium Bylaws do not require that the Association employ a professional management agent to manage the affairs of the condominium. The Association has not entered into a management agreement.

E. Insurance.

(1) **Title Insurance.** The Purchase Agreement provides that the Developer shall furnish each purchaser with a commitment for an owner's title insurance policy issued by Metropolitan Title Company at or prior to closing, and that the policy itself shall be provided within a reasonable time after closing. The cost of the 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 shall, to the extent appropriate in light of the nature of the Common Elements, carry liability insurance, as applicable, and any other insurance the Association may deem applicable, desirable or necessary to the ownership, use and maintenance of the Common Elements and administration of the Condominium Project. To the extent the 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 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. A copy of the Certificate of Insurance with respect to the condominium project will be furnished to each co-owner upon closing the sale of his site. Each co-owner is responsible for obtaining fire and extended coverage, vandalism and malicious mischief insurance and other insurance with respect to the buildings and all other improvements constructed or to be constructed within the perimeter of his condominium site as well as liability for injury within his site and upon limited common elements assigned to his site, and for alternative living expense in the event of fire. The Association should periodically review all insurance coverage to be assured of its continued adequacy and co-owners should each do the same with respect to their personal insurance.

F. Restrictions on Ownership, Occupancy and Use. Article VI of the Condominium Bylaws contains comprehensive restrictions on the use of the condominium sites, improvements thereon 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:

- (1) Sites are to be used for single-family residential purposes only.
- (2) With certain exceptions, no co-owner may lease less than his entire site, nor lease his site for less than an initial term of 6 months without the approval of the Association. Although it is the Developer's intention to sell all of the sites that it owns in the project, it will necessarily require some time for the Developer to achieve this goal. Further, market conditions and other factors beyond the Developer's control may impede the Developer's efforts to complete its sales program and may necessitate the suspension of the sales program from time to time. Accordingly, the Developer may lease all unsold sites in the project on such terms as may be most compatible with achievement of the Developer's sales program in an effort to keep the project fully occupied throughout the duration of such program.
- (3) No animal, except two (2) household (domestic) pets shall be kept without the prior written consent of the Board of Directors, which consent, if given, shall be revocable at any time by the Board for failure by pets or their owners to observe provisions of the Bylaws or rules and regulations of the Association pertaining to pets.
- (4) There are substantial limitations upon physical changes which may be made to the sites, improvements thereon and common elements in the project, and upon the uses to which the common elements and sites may be put.
- (5) Reasonable regulations may be adopted by the Board of Directors of the Association concerning the use of common elements, without vote of the co-owners.

None of the restrictions apply to the commercial activities or signs of the Developer.

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 site in the project prior to closing are set forth in the purchase agreement and the accompanying escrow agreement. Those documents should be closely examined by all purchasers in order to ascertain disposition of earnest money deposits advanced by the purchaser at the time of closing, anticipated closing adjustments, and the obligation of both parties with respect to modifications to the standard site and extra installations. 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 issuance of a certificate of occupancy, if applicable, conveyance of title to a purchaser and confirmation by the escrow agent that all improvements labeled "must be built" are substantially complete. The Developer has completed all improvements which "must be built."

B. At Closing. Each purchaser (except a purchaser under land contract) will receive by warranty deed fee simple title to his site 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 title insurance commitment.

C. After Closing.

(1) **General.** Subsequent to the purchase of the site, relations between the Developer and the co-owner are governed by the Master Deed, except to the extent that any contractual provisions of the Purchase Agreement are intended to survive the closing.

(2) **Condominium Project Warranty.** The Developer is warranting that the modular home when installed on the site will be free from substantial defects in materials or workmanship for a period of one year, provided that such defects are not the result of improper setup, movement, materials furnished or work done by a person other than the manufacturer or builder. Initially the Developer has selected New Era Building Systems as the manufacturer of the homes to be installed and Elkhorn Corporation as the builder to install the homes on the sites and to construct basements, driveways and other amenities selected by each purchaser. The Developer reserves the right to select other manufacturers and builders from time to time.

The Developer anticipates that both the manufacturer and the builder may provide express warranties to each purchaser. It is recommended that you examine the warranties provided to you and review them with advisors of your choice prior to the execution of the purchase agreement for the modular home of your choice. All warranty claims must be submitted in writing directly to the manufacturer or the builder, as the case may be, with a copy to the Developer. These warranties by the manufacturer and builder are extended only to the first purchaser of each site and are not transferable.

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 site. In accepting title to the site 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.

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

UPDATE TO THE DISCLOSURE STATEMENT

Regarding Sections V, VI, and VII of the preceding disclosure statement, the "Developer" has conveyed all properties in the Project to their respective owners, and all management of the Project is under control of the Aberdeen Condominium Association and its elected officers.