

DISCLOSURE STATEMENT

OAKHURST



DEVELOPER

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Oakhurst is a 516-unit residential site condominium.

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.

September 2004

OAKHURST
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DISCLOSURE STATEMENT

OAKHURST

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 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 that are offered for sale.

II. The Condominium Concept

A. General. Condominium is a method of subdividing, describing and owning 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 and 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 undivided interest in the other components ("common elements") of 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 described in Section IV of this Disclosure Statement.

All portions of the project not included within the units constitute the common elements. Limited common elements are those common elements that 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 VI of this Disclosure Statement.

Except for the year in which the project is established, or, in the case of units added to a 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 unit in the project. The separate taxes and assessments cover the unit and its proportionate share of the common elements. No taxes or assessments are levied independently against the common elements. In the year in which the project is established or in which an amendment adding units

is recorded, the taxes and assessments for the units covered by the Master Deed or 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. Oakhurst is different from most condominium projects in this area because the condominium units in this project consist of only the individual building sites, and the common elements generally do not include the buildings and other improvements to be constructed on the sites. Each condominium unit consists of the space contained within the unit boundaries as shown in the Condominium Subdivision Plan and delineated with heavy outlines and excluding therefrom any land. In the more traditional form of condominium project, the units consist of the air space enclosed within each of the buildings, and the common elements include the exterior structural components of the buildings. In Oakhurst, each owner holds an absolute and undivided title to his 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). Each unit owner will be responsible for all decoration, maintenance, repair and replacement of the dwelling, lawn, landscaping and other improvements located on his unit. Each owner in this project will also be responsible for maintaining fire and extended coverage insurance on his unit and the dwelling and other improvements located thereon, as well as personal property, liability and other personal insurance coverage.

C. Other Information**Error! Bookmark not defined.** 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 Oakhurst Purchaser Information Booklet as well as any other documents that the Developer has 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. Size, Scope and Physical Characteristics of the Project. Oakhurst is a residential condominium project located off of Clintonville Road in the Township of Independence, Michigan. The project consists of 516 residential condominium units.

B. Utilities. Oakhurst is served by public water, sanitary and storm sewers, gas, electric and telephone service. Gas service is furnished by Consumer Power Co., and is individually metered to each unit for payment by the co-owner, electricity is furnished by Detroit Edison Company and telephone service is provided by Ameritech. The costs of maintaining the sanitary and storm sewer systems serving the project, to the extent those systems are located within the project boundaries, will be borne by the Association, unless otherwise maintained by a government unit.

C. Roads. The roads in Oakhurst are private and will be maintained (including, without limitation, snow removal) by the Association. Replacement, repair and resurfacing 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 is the Association's responsibility to

inspect and to perform a preventative maintenance of condominium roadways on a regular basis in order to maximize the life of project roadways and to minimize repair and replacement costs.

D. Reserved Rights of Developer.

(1) Improvements and Landscaping. Until all of the units in the project have been sold, no exterior modifications of any type may be made without the Developer's approval.

(2) Conduct of Commercial Activities. The Developer has reserved the right, until all of the units in the project have been sold, 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) 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. Any such amendment that would materially alter the rights of an owner or mortgagee may be made only with the approval of 66-2/3% of the owners and first mortgagees. Further, certain provisions of the Master Deed cannot be amended without the Developer's approval.

(4) Easements.

(a) 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 obligations.

(b) 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 exercise of its rights with respect to the expansion of the project or the development of separate projects on the expansion land. The Developer has also reserved the right to grant easements for utilities to appropriate governmental agencies and public utilities.

(c) 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 all or any portion of the land that hereafter may be added to the project, regardless of how such land ultimately may be used.

(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.

E. Planned Development District. Oakhurst is part of a planned development district. When complete, the development could include a number of separate condominium projects or other forms of residential development. Regardless of the number of separate residential projects ultimately included within the planned development district, it is anticipated that it will function as an integrated unit with respect to certain common features. To that end, the following documents were entered into with the Township of Independence: Amended and Restated Concept Development Plan Text dated May 17, 1994, the Revised Concept Development Plan Map dated May 17, 1994, the Amended and Restated Permit Conditions dated May 17, 1994, the Development Agreement dated June 23, 1994, Conservation Easement dated June 21, 1994, the Affidavit Regarding Planned Residential Development Regulation of Land dated June 21, 1994, and the PRD Ordinance Amendment. These documents are subject to revisions as may be made from time to time and copies are on file with the Developer and the Township of Independence. These instruments benefit and impose obligations upon the Co-owners and the Condominium, including, without limitation, the non-exclusive right to use and the obligation to share in the costs of maintenance and support of portions of the common roads. The Developer has no obligation to construct or install any common areas other than as may be specifically committed by it from time to time in connection with its development of Oakhurst.

F. Oakhurst Golf & Country Club. An 18-hole golf course is located adjacent to Oakhurst. Co-owners in Oakhurst will not by virtue of owning a residence in the Condominium automatically acquire a membership or other interest in the Club. Co-owners will need to consult the Offering of Memberships prepared by Oakhurst Golf & Country Club (the "Club") and separately contract with the Club for membership.

Given the proximity of the golf course and building sites in Oakhurst, owners must be aware that errant golf balls may land within their unit, surrounding yard area and common elements, and the owner assumes the risk of any damage or liability that might be caused by any such errant golf balls.

G. Conservation Easement. The development is subject to a certain Conservation Easement, as it is amended, to assure for the benefit of the Township the designation of certain Wetlands and open space areas and restrictions regarding the disturbance of the Wetlands and land within a certain proximity of the Wetlands.

IV. Legal Documentation

A. General. Oakhurst was established as a condominium project pursuant to the Master Deed recorded in the Oakland County Records and contained in the Oakhurst Purchaser Information Booklet. The Master Deed includes the 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 the condominium documents, the percentage of value assigned to each unit in the condominium

project, a general description of the units and common elements included in the project and a statement regarding the relative responsibilities for maintaining the common elements. Article VI of the Master Deed contain the provisions relating to expansion of the project, Article VII covers easements, Article X covers the provisions for amending the Master Deed and Article IX provides 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. Bylaws. The 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 costs of operating 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.

D. Condominium Subdivision Plan. The Condominium Subdivision Plan is a 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. Developer's Background and Experience. Oakhurst Land, L.L.C. was organized for the sole purpose of developing Oakhurst Residential Community. Affiliate entities, Oakhurst Phase I, L.L.C., Oakhurst Phase II North, L.L.C., and Oakhurst Phase II South, L.L.C., were created for the sole purpose of developing certain of the phases within Oakhurst. Affiliate entity, Oakhurst Golf, L.L.C. was organized for developing and operating the golf course and club. The Oakhurst Land, L.L.C. members own three (3) other golf courses and have developed Master Planned Communities in Indiana.

B. Affiliates. The Developer will be handling the sales in Oakhurst.

C. Legal Proceedings Involving the Condominium Project or the Developer. 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 Oakhurst Owners' Association, which has been incorporated as a non-profit corporation under Michigan law. 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, the initial members of which are designees of the Developer. The size of the Board shall initially be two (2) members and immediately prior to the appointment of the first Co-owner to the Board, the size shall increase to five (5) members.

Within 120 days after closing the sales of 25% of the units, one of the directors will be selected by non-developer owners; within 120 days after closing the sales of 50% of the units, two of the directors will be selected by non-developer owners; within 120 days after closing the sales of 75% of the units, the non-developer owners will elect all of the directors, except that the Developer will have the right to designate at least one director as long as it owns at least 10% of the units in the project. Regardless of the number of units conveyed, 54 months after the first conveyance, non-developer owners may elect directors in proportion to the number of units that they own.

Within 120 days after closing the sales of 1/3 of the units or one year from the date of the first conveyance, whichever first occurs, the Developer must establish an advisory committee to serve as liaison between the non-developer owners and the Developer.

The First Annual Meeting may be convened any time after 50% of the units have been sold and must be held on or before the expiration of 120 days after 75% of the units have been sold or within 54 months after conveyance of the first unit, whichever first occurs. At the First Annual Meeting, the members of the Association will elect directors, and the directors in turn will elect officers for the Association.

B. Percentages of Value. All of the units in Oakhurst have equal percentages of value. The percentage of value assigned to each unit determines, among other things, the value of each co-owner's vote and his share of regular and special Association assessments and of the proceeds of administration of the project.

C. Project Finances.

(1) Budget. Article II, Section 4 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 major repairs to and replacement of common elements. Inasmuch as the budget must necessarily be prepared in advance, it reflects estimates of expenses made by the Developer and the management agent. To the extent that estimates prove inaccurate during actual operation 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 included as Appendix I to this Disclosure Statement.

(2) Assessments. Each owner of a unit, including the Developer, must contribute to the Association to defray expenses of administration; while the Developer is obligated to contribute to the Association for such purpose, its contributions are determined differently than the other owners' contributions are determined. See Article II, Section 4 of the Bylaws. Assessments are based upon the percentages of value assigned to the units. The Board of Directors may also levy neighborhood and special assessments in accordance with the provisions of Article II, Sections 5 and 6 of the Bylaws.

(3) Foreclosure of Lien. The Association has a lien on each unit to secure payment of Association assessments. The Bylaws provide that the Association may foreclose its lien in the same fashion that mortgages may be foreclosed by action or by advertisement under Michigan law. By closing on the purchase of a unit, each purchaser will be deemed to have waived notice of any proceedings brought by the Association to foreclose its lien by advertisement and notice of a hearing prior to the sale of his unit.

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

If the mortgagee of a first mortgage of record or other purchaser of a condominium unit obtains title to the condominium unit as a result of foreclosure of the first mortgage, that mortgagee or purchaser and his or her successors and assigns are not liable for the assessments by the administering body chargeable to the unit that became due prior to the acquisition of title to the unit by that mortgagee or purchaser and his or her successors and assigns.

D. Condominium Association Management Contract. The Association has entered into a management agreement with DCVALA, L.L.C. at a fee as set forth in the Budget attached hereto.

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 First American Title Insurance 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 carry fire and extended coverage for vandalism and malicious mischief and liability insurance and workers' 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. A copy of the certificate of insurance with respect to the condominium project will be furnished to each owner upon request.

Each owner is responsible for obtaining personal property, liability and other individual insurance coverage with respect to his unit to the extent indicated in Article IV of the Bylaws. The Association should periodically review all insurance coverage to be assured

of its continued adequacy and owners should each do the same with respect to their personal insurance.

F. Restrictions on Architecture, Ownership, Occupancy and Use. Article VI of the Bylaws sets forth architectural controls that apply to all non-developer Co-owners. This Article also provides for the establishment of an architectural control committee. Article VII of the Bylaws set forth restrictions on 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 intended use. The following is a list of certain of the more significant restrictions:

(1) No owner, with the exception of the Developer, may lease his unit for less than an initial term of one (1) year unless approved by the Association.

(2) No animals may be maintained by any owner unless approved by the Association, except that dogs, cats, or other usual and common household pets not to exceed a total of two may be permitted on a Unit. Even if the Association has approved the maintenance of a pet, detailed restrictions are applicable. Sanctions may also be imposed for violations of the Bylaws and Rules and Regulations, including, without limitation, imposition of monetary fines and revocation of approval for continued maintenance of a pet.

(3) Reasonable regulations may be adopted by the Board of Directors of the Association concerning the use of common elements, without vote of the owners.

(4) No signs or other advertising devices shall be permitted within the Condominium Project without the Architectural Control Committee's approval.

VII. Rights and Obligations as Between Developer and Owners

A. Before Closing. The respective obligations of the Developer and the purchaser of a unit 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 the disposition at closing of earnest money deposits advanced by the purchaser, anticipated closing adjustments, and other important matters. 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 those improvements shown as "must be built" on the Condominium Subdivision Plan until such improvements are substantially complete. This provision does not, however, pertain to any dwelling or other appurtenances to be constructed on the building site, but relates only to the improvements (such as utilities and roadways) requisite to placing each unit (site) in a condition suitable for issuance of a building permit, which improvements are 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 those in Oakhurst include such improvements as are 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 issuance of a certificate of occupancy, if applicable, conveyance to a purchaser of title to a unit and confirmation by the escrow agent that all improvements labeled "must be built" are substantially complete.

B. At Closing. Each purchaser will receive by warranty deed fee simple title to his unit subject to no liens or encumbrances other than the condominium documents and those other easements and restrictions that are specifically set forth in the condominium documents and title insurance commitment.

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 contractual provisions of the Purchase Agreement are intended to survive the closing.

(2) Condominium Project Warranties. The Developer, as subdivider, is warranting only that certain utility mains have been or will be installed to the perimeter of each unit to serve such unit (but not including public water) and that, upon payment of normal fees, purchaser will be entitled to issuance of a building permit with respect to his unit. Developer makes no warranties and has no other obligations whatsoever with respect to any dwellings or other buildings constructed by others within any homesite.

(3) Construction Contract. Each purchaser must recognize that a Purchase Agreement covers only the building site and that it will be necessary to enter into a separate construction contract with the general contractor for the construction of the building and other improvements to be located on the building site.

Purchaser, pursuant to paragraph D of the Purchase Agreement, is required to enter into a separate contract for construction of a residence on the Unit. Further, the Purchaser is to enter into a contract with a licensed builder within six months from the date of the Purchase Agreement, which building contract requires on-site construction to commence within twelve months from the date of closing. Seller has the right to terminate the Purchase Agreement if no such building contract is entered into in the six month period. Alternatively, if Purchaser has closed on the Unit, the Seller has the right to repurchase the Unit for a period of two years after the date of closing if no such building contract is entered into. The repurchase price in that event is 90% of the purchase price. Further, Purchaser shall deposit in escrow with Metropolitan Title Company a warranty deed that will revert unencumbered fee simple title in Seller.

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 deciding whether to purchase a unit. In accepting title to a unit, 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 terms used herein are defined in the Condominium Act.

The Michigan Department of Labor & Economic Growth publishes The Condominium Buyers Handbook that 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 descriptions 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 original Master Deed and other original instruments as contained in the Purchaser Information Booklet. In accordance with the rules of the Michigan Department of Labor and Economic Growth, legal phraseology, technical terms and terms of art have been minimized and brevity has been the objective to the extent consistent with the purposes of the Disclosure Statement and rules of the Michigan Department of Labor and Economic Growth.

**APPENDIX I
PROPOSED 2005 OPERATING BUDGET SUMMARY**

EXPENSE BUDGET

Entry Gate - Openers & Maintenance	2,000.00
Flag Maintenance	700.00
Gift Baskets	600.00
Insurance	6,000.00
Landscape Maintenance	111,000.00
Miscellaneous - postage, copies, etc.	3,000.00
Pest Control	1,500.00
Professional Fees - Accounting, Legal, etc.	2,000.00
Security	64,000.00
Streets - Plowing, Sweeping, Lights, etc.	41,000.00
Street Light Repair	10,000.00
Street Tree Replacement	Reserves
Taxes	3,000.00
Trash Pickup	45,000.00
Utilities - Electric, Telephone & Water	14,000.00
 Subtotal	 303,800.00
Management Fee	15,190.00
TOTAL	318,990.00
 *Reserve Fund	 <u>31,899.00</u>
Total	\$350,889.00

Annual Dues per Unit \$892.00

*Reserve fund was calculated by taking 10% of the expenses of the Association.

At closing, assessments will be paid from the date of closing until the end of the calendar year. Subsequent assessments will be billed quarterly.

The Budget reflects an estimate of Association costs based on 379 units paying full annual assessments. Units in the Montclair phase are assessed 1/2 of the annual dues based on the percentage of value assigned to those units (streets in the Montclair phase are maintained by the Oakland County Road Commission and Oakhurst Security does not service that location.)