

**DISCLOSURE  
STATEMENT  
HEATHERWOOD**

**Pittsfield Township, Washtenaw County, Michigan**

HEATHERWOOD is an expandable residential condominium project containing Seventy (70) condominium units in Phase I. During the period ending May 15, 2002, the project may be expanded by the addition of land for a maximum of one hundred eighty eight (188) units in the project if fully developed.

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: September 22, 1997

**DISCLOSURE**  
**STATEMENT**  
**HEATHERWOOD**

**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.

Heatherwood is being developed by Heatherwood of Ann Arbor, L.L.C., a Michigan limited liability company. This project is an expandable, convertible and contractable, residential condominium project. A total of one hundred eighty eight (188) condominium units are contemplated to be constructed in phases as determined by Developer. Heatherwood may have a swimming pool and cabana which may be constructed at the option of the Developer.

**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 or her individual condominium unit. Each owner owns, in addition to his or her 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 or her Unit in the Master Deed. The Heatherwood Master Deed assigns an equal percentage of value to each unit.

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 primary Common Elements are the private roads, common utility systems, lawns, and open parking areas within the Project.

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

### **III. Description of the Condominium Project.**

**A. Size, Scope and Physical Characteristics of the Project.** The initial phase of Heatherwood was comprised of seventy (70) Units. Each residence will have a garage. Some residences will have patio areas, court yards, porches and other appurtenances. Parking is subject to rules and regulations of the Association with each Unit permitted no more than two guest cars parked overnight in the parking areas without Association approval.

**B. Utilities.** Heatherwood is served by a public water system, sanitary and storm sewers, gas, electric, telephone and cable service. All services will be individually metered to each Unit and will be the responsibility of the owner. Gas service is furnished by Michigan Consolidated Gas Company; electricity is furnished by Consumers Power Company; cable service is provided by Continental Cable of Michigan; and telephone service is provided by Ameritech. 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 Unit) shall be the responsibility of the owner of each Unit. The storm sewer, to the extent located within the Project boundaries, shall be maintained either by the Association or by the Developer. The costs of maintaining, repairing and replacing the street lighting also shall be Association expenses. Trash removal will be contracted to a private contractor or contractors, as determined by the Association.

**C. Roads.** Roads within Heatherwood are private and will be maintained by the Association. 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 to no more than one hundred eighty eight (188) units on or before May 15, 2002. In connection with such expansion, the Developer has reserved the right to expand all or a portion of the land described in Article VI, Section 6.1 and to define and redefine General or Limited Common Elements as may be necessary to adequately describe and service the expanded Units and to change the nature of any Common Element previously included in the Project to achieve the purposes of such expansion of Units.

**(2) Conduct of Commercial 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 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 entire development. 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 and its exhibits 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 change the rights of an owner or mortgagee. Further, the Master Deed cannot be amended without the Developer's approval during the Development Period.

**(4) 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 the Heatherwood.

**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 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 Units and other improvements and the Common Elements in the Project. Article VI contains the provisions relating to the expansion of the Project, Article VII covers contraction, Article VIII covers convertibility, Article IX covers easements, Article X covers Unit Improvements or Alterations, Article XI covers Unit Boundary Relocations, Article XII covers Converting Convertible Areas, Article XI covers the provisions for amending the Master Deed

and Article XIII 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 bylaw.

**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 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 no rules and regulations have been adopted by the Board of Directors of the Association.

**D. Condominium Subdivision Plan.** The Condominium Subdivision Plan depicts the three dimensional physical location and boundaries of each of the Units and Common Elements in the Project.

## **V. The Developer and Other Service Organizations**

**A. Heatherwood of Ann Arbor, L.L.C..** Heatherwood of Ann Arbor, L.L.C., the Developer of the Project, is a Michigan limited liability company established for the purpose of developing Heatherwood. The principals of the Developer are Harold J. Kloosterman, Marty Merk and Sutton Associates Limited Partnership.

**B. Marketing Agent.** Cambridge Homes of Michigan, Inc., with offices at 3300 East Paris, S.E., Kentwood, Michigan, telephone number (616) 956-7722 is the real estate broker for the project. Richard Chambers, the responsible associate broker, has been actively involved in the residential real estate market since 1976 and has recently been involved with the condominium development of Meadow Grove, Weatherstone and Oak Meadows in Ann Arbor, Michigan and Poplar Creek, Applewood, Applewood II, Fox Chase, Woodberry Commons and Woodland Creek in Grand Rapids, Michigan.

**C. 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.

**(5)** 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. Recreational Facilities.** The first phase of the Project may contain a pool and cabana.

## **IV. Legal Documentation**

**A. General.** Heatherwood was established as a Condominium Project pursuant to the Master Deed recorded in the Washtenaw County records and contained in the

Heatherwood 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 General and Limited Common Elements included in the Project and a statement regarding the relative responsibilities for maintaining the Units and other improvements and the Common Elements in the Project. Article VI contains the provisions relating to the expansion of the Project, Article VII covers contraction, Article VIII covers convertibility, Article IX covers easements, Article X covers Unit Improvements or Alterations, Article XI covers Unit Boundary Relocations, Article XII covers Converting Convertible Areas, Article XI covers the provisions for amending the Master Deed and Article XIII 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 bylaw.

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## **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 Heatherwood 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, one of the three directors will be selected by the nondeveloper owners of Units; and not later than one hundred twenty (120) days after the conveyance of title to seventy-five percent (75%) of the Units, and before conveyance of ninety percent (90%) of the Units, the nondeveloper owners shall elect all three 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 one-third (1/3) of the 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 seventy-five percent (75%) 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 Section 8.2 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 Heatherwood is equal. The percentage of value assigned to each Unit determines, among other things, the value of each Co-owner's vote and his or her 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 expenses of the Association will require revision. 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 levy special assessments in accordance with the provisions of Section 2.2 of the Bylaws. The Developer's obligation for contributing to expenses of administration of the Project is set forth in Section 2.7 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 changeable against that unit and which have become due prior to foreclosure. These unpaid assessments are common expenses which are collectible from all unit owners including the holder of the first mortgage who has obtained title to the unit through foreclosure.

**D. Condominium Association Management Contract.** The Bylaws of the Association permit the hiring of a managing agent to manage the Project. The Developer may cause the Association to enter into a management contract for management of the Project prior to the time the Association is turned over to its members. Section 55 of the Michigan Condominium Act allows the Association to void a management contract with the Developer or its affiliates within ninety (90) days after the Association is turned over to its members and any management contract to the extent it extends more than one year beyond the date on which the Association is turned over to its members. The cost for management fees made in the proposed annual budget is based on the fees anticipated to be charged by the manager.

**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 First American 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 or her 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. 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 or her Unit.

Each owner is responsible for obtaining insurance coverage with respect to the interior and contents of the Co-owner's Unit, and other appurtenances thereto, to the extent indicated in Article IV of the Bylaws, and for liability for injury within his or her Unit and upon Limited Common Elements assigned to his or her Unit.

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 or her personal insurance.

**F. Restrictions on Ownership, Occupancy and Use.** Article VI of the Bylaws sets 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 intended use. The following is a list of certain of the more significant restrictions:

- (1) Units are to be used for single-family residential purposes only.
- (2) No owner may lease his or her Unit for less than an initial term of one year without prior written consent of the Association.
- (3) No animals, other than dogs, cats and pet birds, may be maintained by any owner in Heatherwood, under the Condominium Bylaws. Detailed restrictions are contained in the Condominium Bylaws.
- (4) There are limitations upon physical changes (including landscaping) which may be made to the Common Elements and to the Units and improvements in the Condominium, and upon the uses to which the Common Elements and Units may be put.
- (5) Reasonable regulations may be adopted by the Board of Directors of the Association, without vote of the owners.

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

## **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 following structures and improvements in Phase I were labeled "must be built": Units 1 through 8; the driveways and that part of Heatherwood Lane serving Units 1 through 8; all electric, cable T.V., telephone and gas lines serving Units 1 and 8; and the sanitary sewer, water main and storm sewer serving Phase I. All other structures and improvements in the Project are labeled "need not be built".

**B. At Closing.** Each Purchaser (other than a land contract purchaser) will receive by warranty deed fee simple title to his or her Unit, subject to current general real estate taxes; special city, township or county taxes or assessments for improvements not yet completed; installments of any special or supplemental assessments that are a lien against the Unit but are not due and payable; easements, covenants and restrictions of record; applicable zoning and building laws and ordinances; rights and interests of the United States of America, the State of Michigan and other governmental entities; acts done or suffered by the Grantee; the Michigan Condominium Act, as amended; and the Master Deed of Heatherwood, including the Condominium Documents described in the Master Deed, as amended, as are specifically set forth in the Condominium Documents and the purchase agreement for the Unit.

### **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.** A limited warranty for the Unit shall be in effect for one year after the date of the closing of the sale of the Unit. A limited warranty for the Common Elements shall be in effect for one year after the substantial completion of the Common Elements (substantial completion meaning that the Common Elements are usable for their intended purposes, regardless of whether they are fully completed according to the plans and specifications by which they are being

constructed). If Purchaser gives Developer written notice of alleged defects in workmanship or materials in its Unit within one year after the date of the closing of the sale of its Unit, or if Purchaser gives Developer written notice of alleged defects in workmanship or materials in the Common Elements attached to or contained within the building in which its Unit is located within one year after the substantial completion of the Common Elements, Developer shall inspect such items. Where inspection reveals defects in workmanship or materials, Developer shall cause reasonable repairs to be made to cure such defects without cost to Purchaser. Developer will cause nail-pops and drywall cracks to be repaired one time after the completion of the first heating season. Developer in no way guarantees (either with respect to Purchaser's Unit or the Common Elements) against:

(1) damage resulting from settlement of Purchaser's Unit, or the ground under or around the building in which Purchaser's Unit is located, or under other units or Common Elements; (b) glass breakage; or (c) the expansion or contraction of woods. Developer shall assign to and for the benefit of Purchaser all assignable warranties made to it by subcontractors and suppliers relative to services, materials, and equipment incorporated in the Condominium. All manufactured items are excluded from the limited warranty and shall carry only such warranties as are provided to Purchaser by their manufacturers. The only warranties, express or implied, to be provided are those specifically stated in the Purchase Agreement with each Purchaser.

All notices with regard to warranty claims should be addressed to the Developer at 3300 East Paris, S.E., Kentwood, Michigan 49512.

### **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 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 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 purposes of the Disclosure Statement and rules of the Michigan Department of Commerce.

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**HEATHERWOOD  
ASSOCIATION ANN ARBOR,  
MI 48108-9626**

**ESTIMATED OPERATING BUDGET FOR 1997 BASED  
ON AVERAGE OF 132 UNITS MONTHLY ASSESSMENT**

**EXPENSES**

INSURANCE	\$ 8.27
UTILITIES	31.53
ADMINISTRATIVE	3.54
LANDSCAPE & GROUNDS	26.77
MANAGING AGENT	10.00
CLUBHOUSE & POOL	5.01
BUILDING MAINTENANCE & REPAIR	23.90
MAINTENANCE & REPAIR RESERVES	30.06
MAINTENANCE WAGES	<u>15.22</u>
TOTAL PER UNIT PER MONTH	\$154.30
INCOME FROM SOURCES OTHER THAN MONTHLY CO-OWNERS ASSESSMENTS	-4.68
NEEDED MONTHLY ASSESSMENT	\$149.62
<b>MONTHLY ASSESSMENT</b>	<b>\$150.00</b>

Note: Pursuant to Section 105 of the Act, Article IV, Section V of the Condominium Bylaws and this Disclosure Statement, a reserve fund for major repairs and replacement of the Common Elements must be maintained in an amount equal to or greater than ten percent (10%) of the Operating Budget.