

Disclosure statement.

Crystal Shores Condominiums Disclosure Statement

**Purchaser Information Booklet for
Crystal Shores Condominiums**

**A Condominium Project in the Village of
Caseville, Huron County, Michigan.**

Developed by:

Peter Geloso and Patricia R. Geloso, Husband and Wife, of 14504 Elrond Drive, Sterling Heights, Michigan 48313.

Crystal Shores Condominiums is a thirteen unit residential site condominium located in the Village of Caseville, Huron County, Michigan.

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 TO THE PROJECT.

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

Effective: April ____, 2002

Disclosure Statement

Crystal Shores Condominiums

Article 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.

Article II.

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.

Each owner receives a deed to his or her individual unit (lot). Each owner owns, in addition to a unit, an undivided interest in the common facilities ("common elements") which service 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 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 which are set aside for use by less than all unit owners. General common elements are all common elements other than limited common elements.

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. Taxes and assessments may also be levied independently against the common elements. In the year in which the project is established the taxes and assessments for the units covered by the Master Deed may be billed to the Developer or Association, but will be paid by the owners of such units in proportion to the percentages of value assigned to the units owned by them and prorated to the date of closing between Developer or Association and Co-owners.

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 all of the documents contained in the Crystal Shores Condominiums 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 his or her own lawyer or other professional advisor.

Article III.

Description of the Condominium Project

A. General. Crystal Shores Condominiums are to be developed as a site condominium in accordance with the Condominium Act (Public Act 59 of 1978, as amended) and the Village of Caseville Zoning Ordinance. Crystal Shores Condominiums consist of a single phase, residential site condominium to contain no more than Thirteen (13) residences. Each unit consists of a lot of sufficient size to be developed for single family residential purposes. The project contains lake frontage as shown on the recorded survey plan. The project is in an area which is currently zoned Residential.

B. Zoning And The Type Of Uses Permitted. This property is located in a Residential Zoning District as designated by the Village of Caseville.

C. Reserved Rights of Developer. The Developer has reserved easements and rights to use of the road, driveways and walkways in the project for the purpose of ingress and egress to and from the condominium property until the Developer has sold all condominium units in the project.

D. Utilities and Roads. The Electric service will be separately metered to the residence constructed on each unit, and is furnished by DTE Energy. There is public water and sanitary sewage service to the project. Natural gas is also available through Consumers Energy. The road located within the project is private, as shown on Exhibit "B" attached to the Master Deed. Private road surfaces and any storm water disposal system located within the project will be maintained by the Condominium Association. It is expected that the wearing surfaces of the private roads in the condominium and easement roads providing access to the condominium from the public road will last approximately four years, but the Developer makes no warranty or representation to that effect. Replacement, repair and resurfacing after that will be necessary from time to time, as circumstances dictate. It will be the responsibility of the Association to inspect and perform preventative maintenance of condominium roadways and easement roadways to the condominium on a regular basis in order to maximize the life of project roadways and to minimize repair and replacement costs.

E. Recreational Facilities. The Developer contemplates no recreational facilities within the project.

F. Easements and Restrictions Affecting Project and Reservation of Mineral Rights. The project is affected by certain public and private utility easements shown in Exhibit "B." Access to a public highway is by way of the road shown on the site plan, attached to the Master Deed.

Article IV.

Legal Documentation

A. General. Crystal Shores Condominiums were established as a condominium project pursuant to the Master Deed for the project recorded in the Huron County Records and contained in the Crystal Shores Condominiums Purchaser Information Booklet. 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 unit in the 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 covers easements and Article VIII reserves in favor of the Developer the right to amend the condominium documents to make immaterial changes therein, to provide for the correction of errors and to comply with the requirements of certain lending institution

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. Rules and regulations have been adopted by the Board of Directors of the Association and are enclosed.

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.

Article V.

The Developer and its Affiliates

A. Developers' Background and Experience. The Developers of the Crystal Shores Condominiums are Peter Geloso and Patricia R. Geloso, Husband and Wife.

B. Affiliates. No affiliates of the Developer are involved in any aspect of the development of this project.

C. Legal Proceedings Involving the Condominium Project, the Developer or Its Affiliates. The Developer is not presently aware of any pending judicial or administrative proceedings involving the condominium project, the Developer or any of the Developers' partners.

Article VI.

Operation and Management of Condominium Project

A. The Condominium Association. The ultimate responsibility for the management and maintenance of the condominium project is vested in the Crystal Shores Condominium Association, subsequently identified as the "Association," which has been incorporated as a nonprofit corporation under Michigan law. The Articles of Incorporation and Bylaws of the Association are contained in the Purchaser Information Booklet and govern the procedural operations of the Association. The Condominium Bylaws provide for the establishment of an Advisory Committee of two (2) non-Developer Co-owners within 120 days after conveyance to non-Developer Co-owners of one-third of the units planned for the project or within one year after the initial conveyance of legal or equitable title to a non-Developer co-owner of a unit in the project, whichever first occurs. The Advisory Committee is initially appointed by the Developer, although the Bylaws provide that under certain circumstances the members of the Advisory Committee may be elected by the non-Developer Co-owners. The purpose of the Advisory Committee is to facilitate communications between the Developer and the non-Developer Co-owners. The Condominium Bylaws also provide that the non-Developer Co-owners shall be entitled to elect members of the Board of Directors of the condominium Association in increasing numbers as condominium units are sold. Section 1.8 of the Condominium Bylaws sets forth these rights.

B. Percentages of Value. The percentages of value for the individual units in Crystal Shores Condominiums 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 assessments and of the costs 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 an estimate of the normal and reasonably predictable expenses of administration of the project, and includes a reserve for replacement of certain components of the project in the future. Inasmuch as the budget must necessarily be prepared prior to the commencement of operation of the project, it reflects the estimates of expenses made by the Developer based in part on bids and in part upon the estimates of others. 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. A current or proposed budget of the Association has been included as an attachment to this Disclosure Statement.

2. Assessments. Except as set forth below with respect to the Developer, each co-owner of a unit in the project must contribute to the Association in proportion to the percentage of value assigned to the unit(s) owned by him or her to defray expenses of administration. The Board of Directors may also levy special assessments in accordance with the provisions of Article II, Section 3 of the Condominium Bylaws.

3. Possible Additional Liability. Pursuant to Section 101 of the Condominium Act, 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 unit obtains title to that unit by foreclosing the mortgage, the holder of the first mortgage or other purchaser is not liable for unpaid assessments which are chargeable against that unit and which had 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 Contracts. The Condominium Bylaws do not require that the Association employ a professional management agent to manage the affairs of the condominium. The hiring of such an agent is within the discretion of the Association.

E. Insurance.

1. Title Insurance. The Purchase Agreements provide that the Developer shall furnish each purchaser with a commitment for an owner's title insurance policy 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 or her choice prior to closing to

make certain that it conforms to the requirements of the Preliminary Reservation or Purchase Agreements.

2. Other Insurance. The condominium documents require that the Association carry liability and workers' compensation coverage, if applicable. The Board of Directors is responsible for obtaining such insurance coverage for the Association. Each owner's prorata share of the annual Association insurance premiums is included in the monthly assessments. The Association should periodically review all insurance coverage to be assured of its continued adequacy. In the event of loss or injury, each owner should refer to Articles IV and V of the Condominium Bylaws. Each unit owner is responsible for obtaining fire, casualty and extended coverage insurance with respect to any residence or other improvements constructed on a unit, as well as liability insurance for injury or damage occurring in or on his or her unit, or the limited common elements appurtenant to the unit.

F. Restrictions on Development and Use. Article VI 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 more significant restrictions:

1. Units are to be used only for single family residential purposes.
2. Any residences or other structures are subject to certain restrictions and limitations with respect to minimum size, type of construction materials, time period of construction and other matters.
3. Reasonable regulations may be adopted by the Board of Directors of the Association (without vote of the Co-owners) concerning the use of common elements such as parking areas and other matters falling within the authority of the Association.

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

Article 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 unit in the project prior to closing are set forth in the Purchase Agreement. Each of these documents should be closely examined by all purchasers in order to ascertain the disposition of earnest money deposits advanced by the purchaser at the time of closing, anticipated closing adjustments, and the obligations of both parties with respect to modifications to the standard unit and extra installations.

B. At Closing.

1. General. Each cash purchaser will receive, by warranty deed, fee simple title to his or her 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.

2. Application; escrow deposits; release of funds; security; interest; escrow agent; architect or engineer standard of care.

a. Section 103b of the Condominium Act (Michigan Compiled Laws Annotated §559.203b requires that:

(1). This section shall not apply to a business condominium unit.

(2). Deposits in escrow with an escrow agent required under Sections 83 and 84 shall be released pursuant to those sections upon cancellation of a preliminary reservation agreement or withdrawal from a purchase agreement, and in all other cases shall be retained and released pursuant to this section and condominium documents which are not inconsistent with this section.

(3). Except as provided in subsection (5), amounts required to be retained in escrow in connection with the purchase of a unit shall be released to the developer pursuant to subsection (6) only upon all of the following:

(a). Issuance of a certificate of occupancy for the unit, if required by local ordinance.

(b). Conveyance of legal or equitable title to the unit to the purchaser.

(c). Receipt by the escrow agent of a certificate signed by a licensed professional engineer or architect either confirming that those portions of the phase of the project in which the condominium unit is located and which on the condominium subdivision plan are labeled "must be built" are substantially complete, or determining the amount necessary for substantial completion.

(d). Receipt by the escrow agent of a certificate signed by a licensed professional engineer or architect either confirming that recreational or other facilities which on the condominium subdivision plan are labeled "must be built," whether located within or outside of the phase of the project in which the condominium unit is located, and which are intended for common use, are substantially complete, or determining the amount necessary for substantial completion.

(4).

(a). Substantial completion and the estimated cost for substantial completion of the items described in subsections (3)(c) and (d) and in subsection (6) shall be determined by a licensed professional engineer or architect, as provided in subsection (4)(b), subject to the following:

(i). Items referred to in subsection (3)(c) shall be substantially complete only after all utility mains and leads, all major structural components of buildings, all building exteriors and all sidewalks, driveways, landscaping and access roads, to the extent such items are designated on the condominium subdivision plan as "must be built," are substantially complete in accordance with the pertinent plans.

(ii). If the estimated cost of substantial completion of any of the items referred to in subsection (3)(c) and (d) cannot be determined by a licensed professional engineer or architect due to the absence of plans, specifications or other details that are sufficiently complete to enable such a determination to be made, such cost shall be the minimum expenditure specified in the recorded master deed or amendment for completion thereof. To the extent that any item referred to in subdivision plan, an estimate of the cost of substantial completion prepared by a licensed professional engineer or architect shall be required in place of the minimum expenditure specified in the recorded master deed or amendment.

(b). A structure, element, facility or other improvement shall be deemed to be substantially complete when it can be reasonably employed for its intended use and, for purposes of certification under this section, shall not be required to be constructed, installed or furnished precisely in accordance with the specifications for the project. A certificate of substantial completion shall not be deemed to be a certification as to the quality of the items to which it relates.

(5). In place of retaining funds in escrow under subsection (3), the developer may, if the escrow agreement provides, furnish an escrow agent with evidence of adequate security, including, without limitation, and irrevocable letter of credit, lending commitment, indemnification agreement or other resource having a value, in the judgment of the escrow agent, of not less than the amount retained pursuant to subsection (3).

(6). Upon receipt of a certificate issued pursuant to subsection (3)(c) and (d) determining the amounts necessary for substantial completion, the escrow agent may release to the developer all funds in escrow in excess of the amounts determined by the issuer of such certificate to be necessary for substantial completion. In addition, upon receipt by the escrow agent of a certificate signed by a licensed professional engineer or architect confirming substantial completion in accordance with the pertinent plans of an item for which funds have been deposited in escrow, the escrow agent shall release to the developer the amount of such funds specified by the issuer of the certificate as being attributable to such substantially completed item. However, if the amounts remaining in escrow after such partial release would be insufficient in the opinion of the issuer of such certificate for substantial completion of any remaining incomplete items for which funds have been deposited in escrow, only the amount in escrow in excess of such estimated cost to substantially complete shall be released by the escrow agent to the developer. Notwithstanding a release of escrowed funds that is authorized or required by this section, an escrow agent may refuse to release funds from an escrow account if the escrow agent, in its judgment, has sufficient cause to believe the certificate confirming substantial completion or determining the amount necessary for substantial completion is fraudulent or without factual basis.

(7). Not earlier than nine months after closing the sale of the first unit in a phase of a condominium project for which escrowed funds have been retained under subsection (3)(c) or for which security has been provided under subsection (5), an escrow agent, upon the request of the association or any interested co-owner, shall notify the developer of the amount of funds deposited under subsection (3)(c) or security provided under subsection (5) for such purpose that remains, and of the date determined under this subsection upon which those funds can be released. In the case of a recreational facility or other facility intended for general common use, not earlier than nine months after the date on which the facility was promised in the condominium documents to be completed by the developer, an escrow agent, upon the request of the association or any interested co-owner, shall notify the developer of the amount of funds deposited under subsection (3)(d) or security provided under subsection (5) for such purpose that remains, and of the date determined under this subsection upon which those funds can be released. Three months after receipt of a request pertaining to funds described in subsection (3)(c) or (d), funds that have not yet been released to the developer may be released by the escrow agent for the purpose of completing incomplete improvements for which the funds were originally retained, or for a purpose specified in a written agreement between the association and the developer entered into after the transitional control date. The agreement may specify that issues relating to the use of the funds be submitted to arbitration. The escrow agent may release funds in the manner provided in such an agreement or may initiate an interpleader action and deposit retained funds with a court of competent jurisdiction. In any interpleader action, the circuit court shall be empowered, in its discretion, to appoint a receiver to administer the application of the funds. Any notice or request provided for in this subsection shall be in writing.

(8). If interest is paid on the amounts escrowed under this act, that interest shall be released in the same manner as provided for release of funds in this section except that the parties may, by written agreement, provide that interest on funds refunded to a depositor upon withdrawal may be paid to the developer.

(9). The escrow agent in the performance of its duties under this section shall be deemed an independent party not acting as the agent of the developer, any purchaser, co-owner or other interested party. So long as the escrow agent relies upon any certificate, cost estimate or determination made by a licensed professional engineer or architect, as described in this act, the escrow agent shall have no liability whatever to the developer or to any purchaser, co-owner or other interested party for any error in such certificate, cost estimate or determination, or for any act or omission by the escrow agent in reliance thereon. The escrow agent shall be relieved of all liability upon release, in accordance with this section, of all amounts deposited with it pursuant to this act.

(10). A licensed professional architect or engineer undertaking to make a certification under this section shall be held to the normal standard of care required of a member of that profession in determining substantial completion and the estimated cost of substantial completion under this act, but such architect or engineer shall not be required to have designed the improvement or item or to have inspected or to have otherwise exercised supervisory control during the course of construction or installation of the improvement or item with respect to which the certificate is delivered. The

certification by a licensed professional architect or engineer shall not be construed to limit the developer's liability for any defect in construction.

(11). For purposes of this section, "licensed professional engineer or architect" means a member of those professions who satisfies all requirements of the laws of this state for the practice of the profession, and who is not an employee of the developer or of a firm in which the developer or an officer or director of the developer is a principal or holds 10 percent or more of the outstanding shares of that firm.

C. After Closing. Subsequent to the purchase of the unit, 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.

Article VIII.

Purpose of Purchaser Information Booklet

The Developer has prepared this Purchaser Information Booklet 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 the 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 Booklet. The terms used here are defined in the Condominium Act.

The Michigan Department of Commerce has published 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.

The descriptions of the Master Deed and other instruments contained here 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 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 this Disclosure Statement and the rules of the Michigan Department of Commerce.