

DISCLOSURE STATEMENT

for

SADDLE CREEK

A Residential Condominium Project
located in Lyon Township, Michigan

SADDLE CREEK is an eighty-one (81) unit residential site condominium located in the Charter Township of Lyon, Oakland County, Michigan. Lyon Development Associates, L.L.C., a Michigan limited liability company (the "Developer") has reserved the right to expand the Condominium Project up to a maximum of two hundred and fifty two (252) Units, in Developer's sole discretion. The Developer's right to expand the Condominium Project expires six (6) years after the date the Master Deed is recorded.

THIS DISCLOSURE STATEMENT IS NOT REQUIRED TO HAVE BEEN, AND HAS NOT BEEN FILED WITH THE BUREAU OF COMMERCIAL SERVICES OF THE MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES, 6546 MERCANTILE WAY, LANSING, MICHIGAN 48913, NOR HAS THE DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES UNDERTAKEN TO PASS ON THE VALUE OR MERITS OF THE CONDOMINIUM PROJECT OR TO MAKE ANY RECOMMENDATIONS OR COMMENTS ON THE CONDOMINIUM PROJECT.

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.

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 PRIOR TO PURCHASING A CONDOMINIUM UNIT.

Developer: **Lyon Development Associates, L.L.C.,**
a Michigan limited liability company
1330 Goldsmith
Plymouth, Michigan 48170

Builders: **Multi Building Co., Inc.,**
a Michigan corporation
1330 Goldsmith
Plymouth, Michigan 48170

Babcock Development Company,
a Michigan corporation
2071 West Maple Road, Suite E506
Commerce Township, Michigan 48390

Effective Date: November 18, 2004

TABLE OF CONTENTS

DESCRIPTION	PAGE
I. INTRODUCTION	1
II. THE LEGAL CONCEPT OF CONDOMINIUMS	1
A. General	1
B. Condominium Building Sites	2
C. Other Information	2
III. DESCRIPTION OF THE CONDOMINIUM PROJECT	3
A. Size, Scope and Physical Characteristics of the Project	3
B. Utilities	4
C. Roads	4
D. Reserved Rights of Developer; Assignment	5
E. Easements, Restrictions and Agreements	6
IV. LEGAL DOCUMENTATION	12
A. General	12
B. Master Deed	12
C. Bylaws	12
D. Condominium Subdivision Plan	12
V. BUILDERS, DEVELOPER AND OTHER SERVICE ORGANIZATIONS	12
A. Builders' Background.	12
B. Developer's Background.	13
C. Brokers	13
D. Legal Proceedings Involving the Condominium Project or the Developer or Builders	13
E. Construction of Residences on Units; Responsibilities of Builders and Developer.	13
VI. OPERATION AND MANAGEMENT OF THE CONDOMINIUM PROJECT	13
A. The Condominium Association	13
B. Percentages of Value	14
C. Project Finances	14
D. Management of Condominium	15
E. Insurance	16
F. Restrictions on Ownership, Occupancy and Use	16
VII. RIGHTS AND OBLIGATIONS AS BETWEEN BUILDERS AND PURCHASERS; RIGHTS AND OBLIGATIONS OF OWNERS	16
A. Before Closing	16
B. At Closing	17
C. After Closing	17
VIII. REMEDIATION OF ENVIRONMENTAL CONDITIONS	18
IX. PURPOSE OF DISCLOSURE STATEMENT	18

DISCLOSURE STATEMENT

SADDLE CREEK

I. INTRODUCTION.

Under Michigan law, the Developer of a condominium project must fairly and accurately disclose to prospective purchasers the characteristics of the condominium units which it offers for sale. The required disclosure is made by furnishing each purchaser with a Disclosure Statement in a form which summarizes the significant features of the development as well as with copies of the legal documents required for the creation and operation of the condominium.

With respect to SADDLE CREEK (the "Condominium Project"), both Multi Building Co., Inc. and Babcock Development Company (collectively, the "Builders") are "residential builders" and not the developer of the Condominium Project. However, as builders who are acquiring units for resale to initial retail purchasers, Builders are required to comply with the disclosure requirements imposed by the Michigan Condominium Act (the "Act") on "developers" of condominium projects. The Builders therefore present this Disclosure Statement, which contains a narrative summary of matters concerning the Condominium Project, to comply with the Condominium Act. This Disclosure Statement, along with the legal documents referred to above, constitutes the only authorized description of SADDLE CREEK, and none of the Builders' sales agents or other representatives are permitted to vary their terms. To the extent any sales or promotional literature varies from this Disclosure Statement, only the contents of this Disclosure Statement will be binding on Builders.

II. THE LEGAL CONCEPT OF CONDOMINIUMS.

A. General. A condominium is a legal means for dividing, describing and owning real property. A Unit in a condominium has the same legal attributes as any other form of real property under Michigan law. A condominium 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. For purposes of this Disclosure Statement, the term "Condominium Documents" refers to the Purchase Agreement or Building Contract used in the sale of the unit to the purchaser and the Master Deed and the exhibits to the Master Deed, said exhibits comprising the By-Laws (Exhibit A) and the Condominium Subdivision Plan (Exhibit B).

Each Co-owner receives a deed to his or her individual condominium Unit. Each Co-owner owns, in addition to his or her 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 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 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 (similar to a homeowners' 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, 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 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. SADDLE CREEK is a site condominium and differs from the more traditional form of condominium 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. 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 SADDLE CREEK, each owner holds an absolute and undivided title to his or her Unit and to the Residence and other improvements located thereon (to the extent such improvements are not designated in the Master Deed as common elements). (The term "Residence" is defined in the Master Deed as the single family dwelling constructed within each Condominium Unit in conformance with the provisions of the Master Deed and the attached By-Laws and any and all applicable laws, ordinances, rules and regulations.) Each Unit owner is generally responsible for all construction, decoration, maintenance, repair and replacement of the Residence and other improvements located on his or her Unit. Unlike more traditional condominium projects, each owner in this Project will be responsible for maintaining fire and extended coverage insurance on his or her Unit and the Residence and other improvements located within it, as well as personal property, liability and other personal insurance coverage. The Association will maintain only liability insurance coverage for occurrences on the common elements and such other insurance on the common elements and otherwise as is specified in the Condominium Documents.

C. Other Information. Although the foregoing is generally accurate as applied to most 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 SADDLE CREEK Purchaser Information Book as well as any other documents 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.

III. DESCRIPTION OF THE CONDOMINIUM PROJECT.

A. Size, Scope and Physical Characteristics of the Project. SADDLE CREEK is an eighty-one (81) unit residential site condominium Project located in the Charter Township of Lyon (the "Township"), Oakland County, Michigan. The Project consists of eighty-one (81) building sites, each of which is a separate residential condominium Unit, together with the roadways and other improvements provided for common use by the owners of the Units. Lyon Development Associates, L.L.C. (hereafter referred to as "Developer") has installed or will install the preparatory infrastructure for the Project, such as the roads and certain utility mains (up to but not including leads to each Unit) and all items which are designated as "must be built" on the Condominium Subdivision Plan.

Developer has the right to convey some or all of the Units in the Condominium to third-party builders for the purpose of constructing the Residences on the Units and reselling them as improved properties. It is currently intended that the Builders will build the Residences on all of the Units within the Condominium. It is possible, however, that a builder other than one of the Builders may construct one or more of the Residences within the Condominium. Any improvement constructed within the Condominium during the Development and Sales Period must be approved in writing by the Developer prior to the start of construction. After the Development and Sales Period expires, the Association (acting through its Board of Directors) has the authority to issue and enforce reasonable and uniform rules to maintain architectural and aesthetic control of the outdoor areas and structural exteriors within the Condominium. The Units and any other improvements constructed within the Project must conform to the Condominium Documents and all applicable laws, codes, ordinances and building and use restrictions.

When a purchaser closes on the acquisition of a Unit from the one of the Builders, that purchaser shall receive a warranty deed for the Unit from the Builder. The purchaser will already have been provided with a limited warranty by the Builder upon purchaser's execution of the Building Contract for the purchase of the Unit. **THERE IS NO CONTRACTUAL RELATIONSHIP BETWEEN A PURCHASER AND THE DEVELOPER OF SADDLE CREEK WITH REGARD TO THE SALE OF THE UNIT AND THE CONSTRUCTION OF THE RESIDENCE THEREON. THERE IS NO LEGAL CONNECTION BETWEEN DEVELOPER AND EITHER BUILDER, AND A PURCHASER MUST RELY ON THE CONTRACTUAL OBLIGATIONS CONTAINED IN HIS OR HER SPECIFIC PURCHASE AGREEMENT WITH HIS OR HER BUILDER.**

The Developer has reserved the right to expand the Condominium Project, to up to a maximum of two hundred fifty two (252) units, by adding all or parts of the area designated on the Condominium Subdivision Plan as "Future Expansion Area" to the Condominium during the six (6) year period beginning with the recording of the Master Deed. The Developer may effect such expansion through the recording of one or more amendments to the Master Deed. Nothing in this Disclosure Statement or any Condominium Document, however, shall in any way obligate Developer to enlarge the Condominium and Developer may, in its discretion, establish all or a portion of the Future Expansion Area as a rental development, a separate condominium, or any other form of development; including, without limitation, a "site" condominium. Developer's right to expand the Condominium Project expires six (6) years after recording the Master Deed.

B. Utilities. SADDLE CREEK is served by public water, sanitary sewers, gas, electric and telephone service and each and every Residence constructed in the Condominium Project shall be required to be connected to the public water and sanitary sewer systems

(1) The storm drainage plan for the Project consists of above-ground surface drainage and underground collection lines with on-site retention, as shown on the Condominium Subdivision Plan attached to the Master Deed as Exhibit "B". The Association will be responsible for any and all maintenance associated with the above ground surface drainage areas and underground collection lines as may be necessary to ensure proper drainage. The Association shall also maintain the retention basin or basins included in the storm water drainage system as part of the facilities and improvements operated and maintained by the Association.

(2) Gas service is furnished by Consumers Energy.

(3) Electricity is furnished by Detroit Edison.

(4) Telephone service is provided by Ameritech.

(5) All utilities, other than utilities provided to service the common elements, will be separately metered for payment by the individual Unit owners.

(6) Water and electrical service furnished to the common elements, such as for irrigation of the general common elements, will be billed directly to the Association.

(7) Some or all of the utility lines (including mains and service leads) and equipment may be owned by the local municipal authority or by the company that is providing the pertinent utility services. When residences are constructed, individual service leads from the mains to the residences will be installed by the builder of the residence. The portion of each service lead which is located outside of a particular Unit will be designated as a general common element appurtenant to that particular Unit. Co-owners will be responsible for maintaining and repairing the service leads relating to their individual Residences, to the extent such obligation is not assumed by the local utility company or governmental agency or authority.

(8) Cable television service is generally available in Lyon Township from the current local franchisee, Comcast. The cable wiring has been (or will be) installed in the Project, but the system has not yet been activated by Comcast. Neither the Builders nor the Developer control when cable service will be activated. The Builders and the Developer cannot guarantee any specific activation date because that decision is not within their control.

C. Roads. The internal roads in SADDLE CREEK are intended to be dedicated to the Road Commission of Oakland County or such other governmental agency as may be appropriate. Until completion of the roads and the completion of the dedication process, the roads within the Project will be private and will be required to be maintained by the Association. The Builders and the Developer do not and cannot control when the dedication will be completed.

The Developer has reserved the right to dedicate the roads in the Project without the consent of any Co-owner or mortgagee. Upon completing the dedication, the Developer will record an Amendment to the Master Deed to reflect the dedication and to remove the roads as general common elements of the Project. All Co-owners should be aware that even after the dedication process is complete, the Association may elect to separately contract for certain services relating to the roads, such as snow removal. The cost of any such services will be borne by the Association.

At some time subsequent to the recording of the Master Deed, it may become necessary to pave or improve some or all of the roads within or adjacent to the Condominium Project. If any such roads have been dedicated in accordance with Article VII, paragraph (d) of the Master Deed, such improvement may be financed, in whole or in part, by the creation of a special assessment district or districts which may be comprised of or include the Condominium, as more fully explained in Article VII, Paragraph (d) of the Master Deed.

D. Reserved Rights of Developer: Assignment. Certain rights have been reserved to Developer under the Master Deed and By-Laws. Developer has the right to assign some of its rights as the "Developer" under the Condominium Documents to the Builders and other residential builders. Although it may have acquired certain rights of the Developer by assignment, the Builders have not assumed any liability as the "Developer" of the Condominium, including, without limitation, any liability regarding the installation of the roads and utilities. **Each purchaser should carefully review the rights reserved in the Master Deed and By-Laws to assure a complete understanding of those rights.**

(1) Right to Approve Improvements. No structure, Residence or other improvement may be constructed, nor may exterior modifications of any type be made without the prior approval of Developer. Minimum construction and architectural standards have been established by Developer, which may be amended from time to time.

(2) Conduct of Commercial Activities. Developer has reserved the right, until all of the Units have been sold in the Project, to maintain within the Condominium sales offices, business offices, model Units, storage areas, and 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, as it may be expanded. Developer has reserved this right on behalf of itself and any builders designated by the Developer, including the Builders. The Developer and each Builder is obligated to restore the areas utilized by each of them to habitable status upon termination of use.

(3) Right to Amend the Master Deed and Related Exhibits. Developer has reserved the right to amend the Master Deed without approval from owners and mortgagees for the purpose of correcting errors in that document and the exhibits thereto and for other purposes. Any amendment that would materially alter the rights of an owner or mortgagee may be made only with the approval of not less than two-thirds (2/3) in value of the votes of the owners and first mortgagees. Any amendment which would materially alter the rights of a Co-owner of a specific Unit also requires the consent of that Co-owner.

(4) Enforcement of Bylaws and Approval Rights. Developer has reserved the right to enforce the Bylaws as long as it owns any Unit in the Project. Additionally upon the expiration of the Development and Sales Period (as defined in the Master Deed) or at such earlier time as the Developer, in its sole discretion may elect, the Developer will assign, transfer and delegate to the Association all of the Developer's rights to approve, waive or refuse to approve plans, specifications, drawings, elevations, submissions or other matters with respect to the construction or location of improvements or any other matter which the Developer may approve or waive as provided in Article VI of the Condominium By-Laws. The assignment will automatically occur at the expiration of the Development and Sales Period, and the Developer shall have no further responsibilities with respect to such matters.

(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.

(6) Preparatory Infrastructure. As noted above, the entire preparatory infrastructure of the initially established Project, including but not limited to the streets and related structures, are designated as "must be built" on the Condominium Subdivision Plan. No other improvements have been designated as "must be built", including, without limitation, the construction of Residences within Units and other improvements to be constructed within the Units, including utility leads, "need not be built".

E. Easements, Restrictions and Agreements. The Condominium is subject to the following easements, restrictions and agreements:

(1) Developer has reserved permanent, nonexclusive easements for ingress and egress over the roads and walks, if any, in the Condominium and permanent easements to use, tap into, enlarge or extend all roads, walks and utility lines in the Condominium, including, without limitation, all communications, water, gas, electric, storm and sanitary sewer lines, and any pumps, sprinklers or water retention areas, all of which easements shall be for the benefit of any other land adjoining the Condominium now owned or subsequently acquired by the Developer or its successors, including, without limitation, the Future Expansion Area. These easements shall run with the land in perpetuity. The Developer has no financial obligation to support such easements.

(2) The Developer has reserved the right to construct a community swimming pool, cabana/pool house, and related parking areas (the "Common Recreation Facilities") as part of the General Common Elements of the Condominium for the common use and enjoyment of the Co-owners and their family members, guests, tenants and invitees. In the Master Deed, the Developer has reserved a permanent, non-exclusive easement for the use and enjoyment of all such Common Recreation Facilities by the owners of such dwelling units as may be established and constructed upon the Future Expansion Area and any portions thereof if, and to the extent such Future Expansion Area or any portion thereof is developed separately from the Condominium and not included therein. The beneficiaries of this easement shall include the family members, guests, tenants and invitees of any and all owners of dwelling units (the "Other

Owners") established on such portions of the Future Expansion Area as may be developed separately from the Condominium and all such Other Owners shall be required to pay a pro-rata share of the costs and expense incurred by the Association in the operation, maintenance, repair and replacement of the Common Recreation Facilities. If portions of the Future Expansion Area are developed separately from the Condominium, the Association shall establish and maintain a separate budget and record of the cost and expense of operating, maintaining, repairing and replacing the Common Recreation Facilities. The Association shall also establish a separate committee to oversee the operation, maintenance, repair and replacement of the Common Recreation Facilities, with the number of representatives serving on said committee being respectively appointed by the Association on behalf of the Co-owners and by the appropriate homeowners or condominium association on behalf of the Other Owners in proportion to the number of Units then established within the Condominium and the number of dwelling units then established on such portions of the Future Expansion Area as have been developed separately from the Condominium. The aforesaid separate committee shall have the right to establish rules for the use and enjoyment of the Common Recreation Facilities by all of the parties entitled to use them pursuant to this provision.

(3) The Developer has reserved a permanent, non-exclusive easement for itself and its employees, contractors, agents, successors and assigns for ingress and egress over and across the roads within the Condominium, the General Common Element land therein, and the building set-back areas within the Units established therein, for the purpose of and to the extent required in the discretion of the Developer to remedy environmental conditions existing within the Future Expansion Area and portions thereof, including such conditions as may exist as a result of the extraction of natural gas from portions of the Future Expansion Area. Any property damaged as a result of the exercise of this reserved easement shall be restored in a timely manner by the party that exercised this reserved easement.

(4) In the recorded Master Deed, the Developer has reserved the right and power to, dedicate all or part of the roads and all or part of the sidewalks, pathways and walkways in the Condominium to public use, and all persons acquiring any interest in the Condominium, including without limitation all Co-owners and mortgagees, shall be deemed irrevocably to have appointed Developer and its successors as agent and attorney-in-fact to make such dedication and to act in behalf of all Co-owners and their mortgagees in any statutory or special assessment proceedings with respect to the dedicated roads. After certificates of occupancy are issued for 100% of the Units in the Condominium, the foregoing rights and powers may also be exercised by the Association if those rights and powers have not been previously assigned to the Association by the Developer. Upon approval by and affirmative vote of not less than 51% of all Co-owners, in number and in value, the Association shall be vested with the power and authority to sign petitions requesting establishment of a special assessment district pursuant to provisions of applicable Michigan statutes for improvement of roads within or adjacent to the Condominium or for such other lawful purpose. In the event that a special assessment road improvement project or other special assessment project is established pursuant to applicable Michigan law, the collective costs assessable to the Condominium as a whole shall be borne equally by all Co-owners.

(5) Developer also reserves the right and power to grant easements over, or dedicate, portions of any of the Common Elements for utility, drainage, safety, conservation or

construction purposes, and all persons acquiring any interest in the Condominium, including without limitation all Co-owners and mortgagees shall be deemed to have appointed Developer and its successors as agent and attorney-in-fact to make such easements or dedications. The right and power reserved in this paragraph (e) to establish easements shall also include the right and power to establish easements for utilities, drainage and services over such portions of the Units as comprise building setback areas as shown on the Plan. After certificates of occupancy are issued for 100% of the Units in the Condominium, the foregoing right and power may also be exercised by the Association.

(6) In order to assure that storm water drainage is properly maintained, all storm water drainage facilities in the Condominium have been designated General Common Elements in Article IV, subparagraph (a)(3) of the Master Deed. Accordingly, the Association shall maintain, repair, replace and possibly enhance the storm water drainage systems and related areas in the Condominium in compliance with Article IV, subparagraph (c)(1) of the Master Deed, the cost of which will be an expense of administration of the Condominium.

(7) The Developer, the Association and all public and private utility companies shall have such easements over, under, across and through the Condominium, including all Common Elements and Units (but not the interior of Residences or Structures), as may be necessary to develop, construct, market and operate any Units within the Condominium as established by the recording of the Master Deed, and also to fulfill any responsibilities of maintenance, repair, decoration or replacement which they or any of them are required or permitted to perform under the Condominium Documents or by law or to respond to any emergency or common need of the Condominium, including, without limitation, tapping into the exterior water spigot serving any Unit for landscape and lawn maintenance and/or any other purpose as may be necessary to fulfill said maintenance, decoration, repair, replacement or upkeep responsibilities. There shall also exist a permanent, non-exclusive easement in favor of the Township on and over all Common Elements in the Condominium for inspection, maintenance and repair of said Common Elements in accordance with this provision. None of the Developer, the Association, the Township or any such public or private utility shall be liable to the Co-owner of any Unit or any other person, in trespass or any other form of action, for the exercise of rights pursuant to this provision or any other provision of the Condominium Documents which grant such easements, rights of entry or other means of access. No failure by the Developer, the Association, the Township or any public or private utility to take any such action shall be deemed a waiver of its right to take any such action at a future time. This easements is granted to the Township solely in order that the Township from time to time may inspect, and, upon thirty (30) days' prior notice by the Township to the Association specifying in reasonable detail the corrective action to be taken and the failure of the Association to do so, to perform the Association's responsibilities for the maintenance and repair of the Common Elements or any portion thereof. The Association shall promptly reimburse the Township for all actual costs incurred by the Township to maintain or repair any of the Common Elements within the Condominium plus, if so provided by Township ordinance or by agreement with the Association, a reasonable administrative fee therefore, promptly after receipt of a demand therefore supported by reasonable evidence of the actual costs so incurred by the Township; and, upon the failure or refusal of the Association to do so, the Township shall have the right to assess the unpaid amount pro rata among all Units in the Condominium and to obtain a lien against the Units for the payment thereof. All costs incurred by the Association or the Developer to perform any responsibilities required in the first instance to be borne by any

Co-owner shall be assessed against such Co-owner and shall be due and payable with his installment of the annual assessment next falling due, and a lien for nonpayment shall attach as in all cases of regular assessments and may be enforced by the use of all means available to the Association under the Condominium Documents and by law for the collection of regular assessments including, without limitation, legal action and foreclosure of the lien securing payment.

(8) In the event any portion of a Unit or Common Element encroaches upon another Unit or Common Element due to shifting, settling, or moving of a building, or due to survey errors or construction deviations, reconstruction or repair, reciprocal easements shall exist for the maintenance of such encroachment for as long as such encroachment exists, and for maintenance thereof after rebuilding in the event of any destruction. The foregoing easement shall not, however, be construed to permit any encroachment by a Common Element or Unit upon another Unit or upon the airspace and subsurface contained in the other Unit as shown in the Condominium Subdivision Plan. There shall be easements to, through and over Units for the installation, maintenance and servicing of all utilities in the Condominium, including, but not limited to, lighting, heating, power, sewer, water and communications including telephone and cable television lines, and no such easements for utilities shall be construed to be encroachments upon a Unit.

(9) There shall exist for the benefit of the Co-owners, the Township, any emergency service agency, and other governmental units, an easement over all roads in the Condominium for use by the Township, the United States Postal Service and emergency or other governmental service vehicles. Said easement shall be for purposes of ingress and egress to provide, without limitation, mail delivery, fire and police protection, ambulance and rescue services and all other lawful governmental and private emergency services to the Condominium and all Co-Owners. This grant of easement shall in no way be construed as a dedication of any streets, roads, or driveways to the public; provided, however, that this easement shall no be of no further force or effect with respect to any roads or streets that are dedicated to public use once such dedication has been completed.

(10) A portion of the General Common Element land adjacent to the right of way of Pontiac Trail is encumbered by a 16-foot wide easement for the benefit of Michigan Bell Telephone as shown on the Condominium Plan.

(11) The Developer and the Township have entered into the Planned Development Agreement identified in Article III, paragraph (u) of the Master Deed with respect to the development and use of the Condominium and the Future Expansion Area. The Planned Development Agreement has been recorded as described above and the terms and conditions of that document shall be binding upon the Developer, the Association, and all Co-owners of Units in the Condominium, as the same may be expanded. If and to the extent that it is determined that any provision in the Planned Development Agreement is in conflict with any provision in the Master Deed or the By-Laws, the provision of the Planned Development Agreement shall control. The Condominium and all of the Units established therein and within any expansion thereof shall also be subject to such agreements as may be entered into by the Township and the Developer for the establishment of one or more special assessment districts ("SAD's") for the extension of public water and sanitary sewer service to the Condominium and

the Units created therein. All Units established within the Condominium and any expansion thereof shall be subject to such special real property tax assessments as may be imposed by the Township in connection with the establishment of such SAD's, without the consent of any Co-owner or mortgagee being required for the imposition or collection of such special tax assessments so long as they are imposed and collected in compliance with Section 131 of the Condominium Act. Pursuant to the Planned Development Agreement, the extension of public water and sanitary sewer service to the Condominium is to be financed through the creation of an SAD as allowed by the laws of the State of Michigan and the bonding capacity of the Township.

(12) Pursuant to the Planned Development Agreement referenced in paragraph (11) above, the Developer has disclosed that the Condominium, the Units located therein, and the Future Expansion Area may be located in the vicinity of a farm or farm operation. Generally accepted agricultural and management practices may be utilized by the farm or farm operation and may generate usual and ordinary noise, dust, odors and other associated conditions, and these practices are protected by the Michigan Right to Farm Act. The seller of any Unit or any portion of the Future Expansion Area is not required to disclose whether a farm or farm operation is actually located in the vicinity of the Condominium, the Units located therein, or the Future Expansion Area or whether generally accepted agricultural and management practices are being utilized.

(13) A portion of the Condominium and the Future Expansion Area is traversed by Davis Creek, which comprises a portion of the Novi-Lyon County Drain, which is under the jurisdiction of the Oakland County Drain Commissioner. With the recording of the Master Deed, the Developer has reserved a perpetual and permanent easement in favor of the Oakland County Drain Commissioner and the Novi-Lyon Drain Drainage District (collectively referred to as the "Drainage Authorities") and to the successors, assigns and transferees of the Drainage Authorities, in, over, under and through the land included in the Condominium and designated on the attached Condominium Subdivision Plan as being subject to a storm water drainage easement for the Novi-Lyon County Drain, which easement may not be amended or revoked except with the written approval of grantee, and which easement contains the following terms and conditions and grants the following rights:

(a) The easement shall be for the purposes of developing, establishing, constructing, repairing, maintaining, deepening, cleaning, widening, and performing any associated construction activities and grading in connection with any type of drainage facilities, storm drains or related appurtenances, in any size, form, shape or capacity.

(b) The Drainage Authorities shall have the right to sell, assign, transfer or convey this easement to any other governmental unit.

(c) No Co-owner in the Condominium shall build or convey to others any permission to build any permanent structures on said easement.

(d) No Co-owner in the Condominium shall build or place on the area covered by the easement any type of structure, fixture, or object or engage in any activity or take any action, or

convey any property interest or right, that would in any way either actually or threaten to impair, obstruct, or adversely affect the rights of the Drainage Authorities under this easement.

(e) The Drainage Authorities and their agents, contractors and designated representatives shall have right to entry on, and to gain access to, the easement property as shown on the Plan.

(f) All Co-owners in the Condominium release the Drainage Authorities from any and all claims to damages in any way arising from or incident to the construction and maintenance of a drain or sewer or otherwise rising from or incident to the exercise by the drainage authorities of their rights under said easement, and all owners covenant not to sue the drainage authorities for any such damages.

The rights granted to the Drainage Authorities as described in this paragraph (13) may not be amended without the express written consent of the Drainage Authorities. Any purported amendment or modification of the rights granted to the Drainage Authorities as described herein shall be void and without legal effect unless agreed to in writing by the Drainage Authorities, their successors or assigns.

(14) Portions of the Condominium, as the same may be expanded, shall be subject to a Conservation Easement entered into by the Developer and the Township to provide for the protection and maintenance of certain green belts, parks, passive open spaces and private common areas as shown on the Condominium Subdivision Plan. The Conservation Easement does not grant or convey to the Township or the public any rights of ownership or possession in the encumbered areas, but it does permit access to the encumbered areas by the Township and its employees and agents for purposes of inspecting those areas to determine if they are being maintained in compliance with the terms and conditions of the Conservation Easement. The Conservation Easement provides that the Developer, as the grantor of the easement, may assign responsibility for the maintenance of the green belts, parks, passive open spaces and private common areas encumbered by the Conservation Easement to such association as may be established to administer the common affairs of the Condominium. Pursuant to that provision, the Developer has assigned responsibility for the maintenance and monitoring of all green belts, parks, passive open spaces and private common areas encumbered by the Conservation Easement to the Association, with such assignment being effective immediately upon the recording of the Master Deed. The Conservation Easement is subject to the rights held by and granted to the Drainage Authorities (including the Oakland County Drain Commissioner) with respect to the Novi-Lyon Drain Drainage District as described in paragraph (13) above to the extent that the Conservation Easement encumbers areas traversed by the Novi-Lyon Drain and the related 100-foot wide easement granted to the Drainage Authorities as shown on the Condominium Subdivision Plan. There shall be permanent signs or monuments installed as reasonably necessary to mark the limits of the specific easement areas established and described in the Conservation Easement and said signs shall state "Conservation Area - Subject to Protection".

IV. LEGAL DOCUMENTATION.

A. General. SADDLE CREEK was established as a condominium project pursuant to the Master Deed recorded in the Oakland County Records and contained in the SADDLE CREEK Purchaser Information Book. 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 IV of the Master Deed defines the common elements of the Project. Article VII contains a description of the easements, restrictions and agreements pertaining to the Project (some of which are discussed in this Disclosure Statement). Article VIII covers the process of amending the Master Deed.

C. Bylaws. The By-Laws 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 Project. Article VI of the By-Laws contains restrictions upon the ownership, occupancy and use of the Project which should be reviewed by prospective purchasers.

According to Article VI, Section 10 of the Bylaws, the Board of Directors of the Association may adopt rules or regulations consistent with the Condominium Act and the Condominium Documents regarding the use of the Common Elements and the common amenities created as General Common Elements or placed under the control of the Association. No such rules or regulations have been adopted at this time.

Article III of the By-Laws contains specific requirements regarding the initiation and pursuit of civil litigation by the Association that are designed to reduce both the cost of litigation and the risk of improvident litigation being pursued at the Association's expense. Article VI, Section 24 contains information regarding certain areas which have been designated as wetlands on the Condominium Subdivision Plan and which are deemed to be within a Conservation Easement.

EACH PURCHASER IS STRONGLY ENCOURAGED TO CAREFULLY REVIEW THE MASTER DEED AND BY-LAWS.

D. Condominium Subdivision Plan. The Condominium Subdivision Plan is a two-dimensional survey depicting the physical location and boundaries of each of the Units and all of the common elements in the Project.

V. BUILDERS, DEVELOPER AND OTHER SERVICE ORGANIZATIONS.

A. Builders' Background. Multi Building Co., Inc., is a Michigan corporation established in 1984. Over the last 20 years, Multi Building Co., Inc. has developed and built both single-family homes and multi-family developments in a number of southeast Michigan

communities. Babcock Development Company has been building homes in southeastern Michigan for the last 14 years.

B. Developer's Background. Lyon Development Associates, L.L.C. is a Michigan limited liability company whose address is 1330 Goldsmith, Plymouth, Michigan 48170, and, as the Developer of the Project, has built (or will build) the infrastructure of the Project as depicted on the Condominium Subdivision Plan. Lyon Development Associates, L.L.C. also prepared and recorded the Master Deed for the Project. The members of the Developer have been involved in residential construction and development for more than 20 years. **NO LEGAL CONNECTION EXISTS BETWEEN THE DEVELOPER AND ANY OTHER COMPANY OR INDIVIDUAL AFFILIATED WITH THE DEVELOPER WITH REGARD TO THIS PROJECT. NO AGENT OR SALESPERSON IS AUTHORIZED TO CREATE ANY SUCH LEGAL CONNECTIONS.**

C. Brokers. The Builders have not entered into agreements to use an outside broker to sell Units in SADDLE CREEK, but reserves the right to do so in the future.

D. Legal Proceedings Involving the Condominium Project or the Developer or Builders. The Builders and the Developer are not presently aware of any legal proceedings involving the Condominium Project. To the best knowledge of the Developer, there are currently no lawsuits pending against the Developer. Multi Building Co., Inc. is currently a party to the arbitration of a dispute with the purchasers of a condominium unit in another development who failed to close on the purchase of their unit in accordance with the terms of their purchase agreement. To the best knowledge of Multi Building Co., Inc., there are currently no other legal proceedings involving that entity. To the best knowledge of Babcock Development Company, there are currently no legal proceedings involving that entity.

E. Construction of Residences on Units; Responsibilities of Builders and Developer. The Developer has the right to convey the Units in the Condominium to third party builders for the purpose of constructing the Residences and related improvements on the Units. Nothing contained in this Disclosure Statement or in the Master Deed or related documents requires that the Developer construct the Residences on the Units or restricts the Developer's right to have the Residences and related improvements constructed by third parties, subject to the terms and conditions (and approval rights) set forth in the Condominium Documents. The only warranty provided to purchasers who are purchasing their Unit from one of the Builders is the document captioned "Limited Warranty" that is delivered to purchasers at the time they sign a Building Contract with one of the Builders. **The Developer will not have any responsibility or liability with regard to the construction of a Residence on a Unit. Neither Builder will have any responsibility or liability with regard to the overall development of the Condominium Project.**

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 Saddle Creek 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 Book. 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 Developer.

Within 120 days after closing the sales of 25% of the Units that may be created within the Condominium Project, one of the three directors of the Association will be selected by the non-Developer owners, and within 120 days after closing the sales of 75% of the Units that may be created, the non-Developer owners will elect all three directors, except that the Developer or its assignee will have the right to designate at least one director as long as it owns and offers for sale at least ten percent (10%) of the Units in the Project. Fifty-four (54) months after the first conveyance, if title to at least 75% of Units that may be created has not been conveyed to non-developer Co-owners, the First Annual Meeting shall be called and non-Developer Co-owners may elect directors in proportion to the number of Units they own.

Within 120 days after closing the sales of one-third (1/3) of the Units or one year from the date of the first conveyance, whichever first occurs, the advisory committee must be established to serve as liaison between the non-Developer owners and the Developer.

The First Annual Meeting may be convened at any time after conveyance of legal or equitable title to one or more Units to a non-Developer Co-owner and must be held on or before the expiration of 120 days after 75% of the Units that may be created 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.

The 171 additional Units that may be included in the Condominium Project pursuant to Article IX of the Master Deed are included in the number of Units used to calculate the percentages described in this Subpart A.

The Developer's voting rights are set forth in Article VIII of the Bylaws.

B. Percentages of Value. The percentages of value for SADDLE CREEK were computed on the basis of the relative areas of the Units in the Project. Because of the similarity of the Units, it was decided that it would be most equitable if all Units were assigned the same value. The percentage of value assigned to each Unit determines, among other things, the value of each owner's vote and his or her proportionate share of regular and special Association assessments and of the proceeds of administration of the Project. The percentages of value are equal.

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 has been 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 parties. To the extent that estimates prove inaccurate during actual operation and to the extent that the cost of goods and services

necessary to service the condominium Project change in the future, the budget and the expenses of the Association also will require revision. The projected initial year budget of the Association has been included as Exhibit "A" to this Disclosure Statement. **THIS BUDGET IS FOR ILLUSTRATION PURPOSES ONLY, AND REPRESENTS THE DEVELOPER'S BEST ESTIMATE AT THIS TIME AS TO THE POSSIBLE COSTS AND EXPENSES ASSOCIATED WITH THE UNITS. THE ACTUAL COSTS MAY BE HIGHER OR LOWER.**

(2) Assessments. Each Co-owner of a Unit, including the Developer and the Builders, must contribute to the Association to defray expenses of administration. While the Developer and residential builders designated by the Developer, including the Builders, may be obligated to contribute to the Association for such purpose, their respective contributions are determined differently than the other owners' contributions are determined under Article II of the Bylaws. The Board of Directors may also levy special assessments in accordance with the provisions of Article II, Section 3(b) of the Bylaws. Article II, Section 5 of the By-Laws indicates that assessments for Association dues shall be collected in equal monthly installments, but gives the Board of Directors the right to reduce the number of installments in which the assessments are paid to quarterly, semi-annual or annual installments. At this time, the Developer expects to cause assessments for Association dues to be collected annually.

(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 the 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.

Co-owners of Units may be required to pay increased assessments to the extent that the Association incurs a deficit as a result of its inability to collect assessments due to the operation of Section 58 of the Condominium Act.

D. Management of Condominium. At this time, the Developer does not intend to contract with a professional management company, although the Developer reserves the right to do so in the future. At that time, the cost thereof will be borne by the Association and will be equally allocated among all of the Units.

E. Insurance.

(1) Title Insurance. The form of Building Contract used by each of the Builders provides that the Builder shall furnish its purchaser with a commitment for an owner's title insurance policy 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 Builder. 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 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 annual 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 Co-owner is responsible for obtaining fire and extended coverage insurance on his or her Unit, the Residence, and other improvements located thereon and the appurtenant limited common elements, as well as personal property, liability and other individual insurance coverage to the extent indicated in Article IV of the Bylaws. Each owner must deliver a certificate of insurance to the Association annually in order to confirm that the required insurance coverage is being maintained. If an owner fails to maintain any such insurance coverage or to provide evidence thereof to the Association, the Association may obtain such insurance and collect the cost thereof from the delinquent owner. 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 individual insurance.

F. Restrictions on Ownership, Occupancy and Use. Article VI of the By-Laws sets forth specific restrictions on the ownership, occupancy and use of a Unit in the condominium Project, as well as specific approval processes and requirements before any construction or improvement can be made on a Unit. It is impossible to summarize those restrictions without running the risk of omitting some portion of the restrictions that may be significant to a specific purchaser. **Due to the importance of those restrictions and requirements, each purchaser is strongly encouraged to review Article VI of the By-Laws in its entirety. None of the restrictions in Article VI of the By-Laws apply to the commercial activities or signs of the Developer or either Builder.**

VII. RIGHTS AND OBLIGATIONS AS BETWEEN BUILDERS AND PURCHASERS; RIGHTS AND OBLIGATIONS OF OWNERS.

A. Before Closing. The respective obligations of each Builder and the purchaser of a Unit in the Project from the Builder prior to closing are generally set forth in the Building Contract and the Escrow Agreement that is incorporated into the Building Contract pursuant to

the terms of that document. Both Builders have elected to use similar forms of Building Contracts, which, in accordance with the Condominium Act, do not become binding upon the purchaser until nine business days have expired after delivery of certain documents, including the Master Deed and exhibits thereto and this Disclosure Statement. Prospective purchasers should carefully examine the Building Contract, the addendums to that document and the Escrow Agreement to insure that they understand the terms of that document and 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, but not utility leads to individual Units) 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. Improvements that "must be built" with relation to condominium building sites such as those in SADDLE CREEK, 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. The Builder will deposit the "Initial Deposits" received from Purchasers into escrow with Title One, Inc. (as agent for Transnation Title Insurance Company). All additional progress payments will be paid directly to The Builder, and will not be deposited in escrow. Funds retained in escrow are not to be released until 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 from the one of the Builders 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 in the title insurance commitment.

C. After Closing.

(1) General. Subsequent to the purchase of the Unit, relations between a Project and the owner are governed by the Master Deed and the Condominium Act. After closing on the sale of the Unit, the relationship between the Builder and purchaser is governed entirely by those contractual provisions of the Building Contract that are intended to survive the closing.

(2) Condominium Project Warranties. The only warranty regarding a residence constructed by either Builder within a Unit in the Condominium is contained in the document captioned "Limited Warranty" provided to the purchaser at the time that the purchaser executes the Building Contract. The terms and conditions of the Home Warranty are intended to survive the closing. **OTHER THAN AS SET FORTH IN THAT LIMITED WARRANTY, NEITHER BUILDER MAKES ANY WARRANTY OR REPRESENTATION REGARDING THE UNITS, OR THE RESIDENCES TO BE CONSTRUCTED WITHIN THE UNITS. NEITHER BUILDER MAKES ANY WARRANTY OR REPRESENTATION REGARDING THE ESTABLISHMENT OF THE CONDOMINIUM OR THE INSTALLATION OF THE ROADS, UTILITIES, OR OTHER**

INFRASTRUCTURE OR ANY OF THE GENERAL COMMON ELEMENTS IN THE CONDOMINIUM.

VIII. REMEDIATION OF ENVIRONMENTAL CONDITIONS.

The land included in the Condominium Project and the land that may be added to the Condominium Project was used from 1979 to approximately mid 1999 for natural gas and oil production. As part of this use, naturally occurring brine water (salt water) and oil were pumped to the surface and discharged in three separate locations, one within a common area located within the Condominium Project approximately twenty (20') feet southwest of Unit 27 and two other sites located on the land that may be added to the Condominium Project. (One of the sites within the land that may be added to the Condominium Project is located near Pontiac Trail and south of Unit 77 and Belmont Park. The other site is located in the westerly part of the land that may be added to the Condominium Project.) The discharges caused a small amount of soil and groundwater contamination in those three areas. All impacted soil was removed during the summer of 2004. The impacted groundwater (approximately ten to 25 feet below the surface) is being removed under the supervision of the Michigan Department of Environmental Quality (the "MDEQ"), with the expectation that the groundwater will be clean by 2006.

Prospective purchasers should be aware that the groundwater is only impacted by "salt" (and other organic salts) in one discrete location that exceeds levels established by the MDEQ for drinking water; with the affected location being in the westerly part of the land that may be added to the Condominium Project. These levels are based on the taste of groundwater, only, because the MDEQ has not identified any health concern associated with the compounds observed in groundwater. Since there will be municipal water provided to the Condominium Project and any expansion thereof, there is no currently anticipated use of the groundwater as a drinking water source. However, Section 20116 of the Natural Resources and Environmental Protection Act ("NREPA"), MCLA § 324.20116, requires that the Developer disclose that the land that may be added to the Condominium Project is a 'facility' because the one discrete location at which substances were identified in groundwater exceeds the MDEQ residential criteria. The Developer will revise this Disclosure Statement and provide written notice to all owners of units in the Condominium Project once the groundwater cleanup is completed. Should you have any questions regarding the status of the groundwater cleanup, please call Janice Smith at the MDEQ Geologic and Land Management Division.

IX. PURPOSE OF DISCLOSURE STATEMENT.

This Disclosure Statement has been prepared in good faith by the Builders, 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 Consumer and Industry Services published The Condominium Buyers Handbook that has been delivered to you. Neither Builder assumes any

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. 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 Consumer and Industry Services.

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EXHIBIT "A"
Saddle Creek Association
Projected Initial Year Budget

EXPENSES: