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Kalkaska County Joan Hall, Register

**DISCLOSURE STATEMENT**

For

**Blue Heron Resort**

Developer: Randall W. Mann  
 d/b/a Great Lakes Land Co.  
 8995 Alden Meadows Drive  
 Alden, Michigan 49612

Blue Heron Resort, a site condominium, is a sixty (60) lot residential land area condominium project located in the Township of Orange, County of Kalkaska and State of Michigan.

The effective date of this Disclosure Statement is August 17,2000.

THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR THE MASTER DEED OR OTHER LEGAL DOCUMENTS, AND ALL BUYERS SHOULD READ ALL DOCUMENTS TO ACQUAINT THEMSELVES FULLY WITH THE PROJECT AND THEIR RIGHTS AND RESPONSIBILITIES RELATED THERETO.

WE RECOMMEND THAT YOU CONSULT WITH AN ATTORNEY OR OTHER ADVISOR PRIOR TO PURCHASING A CONDOMINIUM LOT.

INTRODUCTION

Condominium development in Michigan is governed largely by a statute called the Michigan Condominium Act. This Disclosure Statement, together with copies of the legal documents pertaining to the creation and operation of Blue Heron Resort, a site Condominium (which are referred to as the "condominium documents") are furnished to each purchaser pursuant to the requirement of the Michigan law that the Developer of a condominium project disclose to prospective purchasers the characteristics of the condominium lots which are offered for sale.

"Condominium" is a form of real property ownership. Under Michigan law, a condominium lot (that part of the condominium individually owned and occupied) has the same legal attributes as any other form of real property and may be sold, mortgaged or leased, subject only to such restrictions as are contained in the condominium documents. The condominium lots described herein are land area residential lots. Each lot has been designed and intended for separate ownership and use, and each lot has individual access to a common element of the condominium project.

Each co-owner receives a deed to his individual condominium lot. Each co-owner owns, in addition to his lot, an undivided interest in the common facilities (called "common elements") which service the project. Title to the common elements is included as part of, and is inseparable from, title

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to the individual condominium lots. Each co-owner's proportionate share of the common elements is determined by the percentage of value assigned to his lot in the Master Deed.

All portions of the project not included within the lots constitute the common elements. Limited common elements are those common elements which are reserved in the Master Deed for use by less than all co-owners. General common elements are all common elements other than limited common elements.

Except for the year in which the project is established, real property taxes and assessments will be levied individually against each lot at Blue Heron Resort. These individual taxes and assessments cover the lot 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 lots covered by the Master Deed are billed to the Association and are paid by the co-owner of such lots in proportion to the percentages of value assigned to the lots owned by them.

Of course, no summary such as the one contained in this Disclosure Statement can fully state all of the details of a condominium development. Each purchaser is, therefore, urged to review carefully all of the documents contained in the Blue Heron Resort Purchaser's Information Booklet, as well as the other documents that have been delivered to the purchaser in connection with this project. Any purchaser having questions pertaining to the legal aspects of the project is advised to consult his own lawyer or other professional adviser.

### LEGAL DOCUMENTATION

- A. General. Blue Heron Resort was established as a condominium project pursuant to a Master Deed recorded in the office of the Kankaska County Register of Deeds. A copy of the Master Deed has been provided to you with this Disclosure Statement. The Master Deed includes the Condominium Bylaws as Exhibit "A" and the Condominium Subdivision Plan as Exhibit "B". All of these documents should be reviewed carefully by prospective purchasers.
- B. Master Deed. The Master Deed contains a definition of terms used within the condominium project, the percentage of value assigned to each lot in the Condominium Project, a general description of the lots and general and limited common elements included in the project, and a statement regarding the relative responsibilities for maintaining the common elements.
- 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 the Association members for the purpose of paying the costs of operation of the condominium project. Articles VI and VII contain certain restrictions upon the ownership, occupancy and use of the condominium project. Article VII also contains provisions permitting the adoption of rules and regulations governing the common elements. At the present time no rules and regulations have been adopted by the Board of Directors of the Association.



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

### SUMMARY OF PROJECT

Blue Heron Resort is located in the County of Kalkaska and State of Michigan. Blue Heron Resort is a residential land area condominium and includes sixty (60) lots.

### DEVELOPER

The Developer of Blue Heron Resort is Randall W. Mann d/b/a Great Lakes Land Co. Randall W. Mann is a licensed real estate broker.

### REAL ESTATE BROKER

The Developer will serve as the real estate broker for Blue Heron Resort.

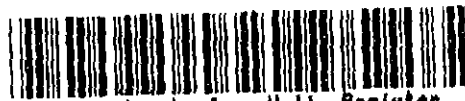
### STRUCTURES AND IMPROVEMENTS WHICH NEED NOT BE BUILT

The Michigan Condominium Act, as amended, requires the Developer to clearly inform potential purchasers what its construction obligations are through the use of the labels "Must Be Built" and "Need Not Be Built." The Developer is obligated to construct only those lots and improvements labeled "Must Be Built" in the Condominium Subdivision Plan attached to the Master Deed. All of the lots and improvements shown in the Condominium Subdivision Plan for Blue Heron Resort are labeled "Must Be Built".

### ESCROW OF FUNDS

In accordance with Michigan law, all funds received from prospective purchasers of lots at Blue Heron Resort will be deposited in an escrow account with an escrow agent. The escrow agent for Blue Heron Resort is Kalkaska-Antrim Title Co. The address and principal place of business of Kalkaska-Antrim Title Co. is 308 S. Cedar, Kalkaska, MI 49646.

Funds held in the escrow account will be returned to the prospective purchaser within three (3) business days upon such purchaser's withdrawal from a Purchase Agreement within the specified period. Nine (9) business days after purchaser signs a receipt for the Purchaser's Handbook, all funds received from the purchaser will be retained in escrow until closing or, upon default of a purchaser, the escrowed monies will be paid to the Developer.



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Any interest earned on funds held in the escrow account will be released to the party who is entitled to receive the funds upon which the interest has accrued, except that interest on funds released from the escrow account due to a prospective purchaser's withdrawal from a Purchase Agreement shall be paid to the Developer.

Additional details of the escrow arrangements made in connection with Blue Heron Resort are contained in the Escrow Agreement which is attached to your Purchase Agreement.

### RECREATIONAL FACILITIES

No recreational facilities will be included in Blue Heron Resort, although there is a park area for use of all Co-Owners and their guests.

### ORGANIZATION AND CONTROL OF THE CONDOMINIUM

- A. The Condominium Buyer's Handbook. General information about the government and organization of condominiums in Michigan may be found in the Condominium Buyer's Handbook, published by the Michigan Department of Commerce, and provided to you previously by the Developer.
- B. Blue Heron Resort Association. Blue Heron Resort Association has been incorporated under the laws of the State of Michigan as a nonprofit corporation. It will be responsible for the management, maintenance and administration of the condominium. A person will automatically become a member of Blue Heron Resort Association upon closing on the purchase of a lot.

The Articles of Incorporation and Bylaws of the Association which have been provided to you with this Disclosure Statement govern the procedural operations of the Association. The Association is governed by a three-person Board of Directors whose initial members have been appointed by the Developer who are empowered to serve pursuant to the provisions of the Condominium Bylaws until the First Annual Meeting of Members of the Association. Article III of the Association Bylaws sets forth the complete requirements for appointment of directors.

Control of Blue Heron Resort will be turned over to Blue Heron Resort Association as an independent entity at the transitional control date. The transitional control date is the date on which a Board of Directors, including at least two (2) directors who are unaffiliated with the Developer, takes office. Until the transitional control date, the condominium will be managed by Blue Heron Resort Association, although the Association will be controlled by the Developer. Even after the transitional control date, the Developer is entitled to participate, through voting and through appointment of directors, in the affairs of the condominium to the extent it owns lots in the condominium.



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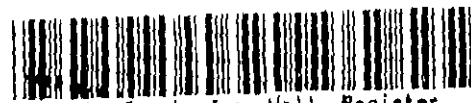
Kalamazoo County Joan Hall, Registrar

- C. Annual Meetings. Following the First Annual Meeting, annual meetings of the co-owners of Blue Heron Resort will be held each year in accordance with the Condominium Bylaws for the purpose of conducting the business of the Association and appointing directors for the succeeding year. Prior to each Annual Meeting, co-owners will receive notice stating the time and location of the meeting and the matters to be considered at the meeting as prescribed by the Condominium Bylaws.
- D. Advisory Committee. The Board of Directors of the Association must establish an Advisory Committee of non-Developer co-owners upon the passage of: (a) one hundred twenty (120) days after legal or equitable title to five (5) condominium lots has been conveyed to non-Developer co-owners; or (b) one (1) year after the first conveyance of legal or equitable title to a condominium lot to a non-Developer co-owner, whichever first occurs. The Advisory Committee will meet with the Board of Directors to facilitate communication with the non-Developer co-owners and to aid in transferring control from the Developer to non-Developer co-owners. The Advisory Committee will be composed of not less than one (1) or more than three (3) non-Developer members, who will be appointed by the Board of Directors in any manner it selects, and who shall serve at the pleasure of the Board of Directors. The Advisory Committee will automatically dissolve following the appointment of a majority of the Board of Directors by non-Developer co-owners. The Advisory Committee must meet at least quarterly with the Board of Directors.
- E. Percentage of Value. Each of the lots at the condominium has been assigned a percent of the total value of the project based upon its location, size, value and allocable expenses of maintenance. The total value of the project is one hundred (100%) percent. The percentage of value assigned to each lot is determinative of the share of each lot in the common elements. Each lot will share equally in the expenses of administration of the Condominium Association and each lot owner will have one (1) vote at meetings of the Association.
- F. Management. The Developer will serve as managing agent for the condominium until the transitional control date. Thereafter, the Association must provide for its own management. The Developer will not be paid for its services as managing agent.

As manager, the Developer will be given responsibility for the day-to-day management of the condominium.

#### SUMMARY OF LIMITED WARRANTIES

CAUTION: THERE ARE NO WARRANTIES ON THIS CONDOMINIUM PROJECT OTHER THAN THOSE DESCRIBED HEREIN. YOU, INDIVIDUALLY, OR AS A MEMBER OF THE ASSOCIATION, MAY BE REQUIRED TO PAY SUBSTANTIAL SUMS FOR THE REPLACEMENT OR REPAIR OF ANY DEFECTS IN THIS CONDOMINIUM PROJECT THAT ARE NOT COVERED BY WARRANTY, IF ANY SUCH DEFECTS EXIST.



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## BUDGET

At closing, each purchaser of a lot at Blue Heron Resort will pay a one year assessment as a working capital deposit. After the closing, each co-owner will pay an annual assessment as his share of the common expenses of the condominium. The amounts collected from co-owners are used to operate and maintain the condominium. Because day-to-day operation of the condominium is dependent upon the availability of funds, it is important that each co-owner pay his assessment in a timely manner. Assessments at Blue Heron Resort are due by the first day of each year. In the event a co-owner fails to pay this amount in a timely manner, the Condominium Bylaws provide that Blue Heron Resort Association may impose a lien upon a delinquent co-owner's lot, collect interest at the rate of seven (7%) percent per annum on delinquent assessments, and impose other penalties.

The amount of the assessment will be determined by the amount of the common expenses. Under the budget of the Blue Heron Resort Association for fiscal year 2000 adopted by the Developer in the exercise of its best judgment, each co-owner will pay \$300.00 per year. This will generate an annual revenue from sixty (60) lots of \$18,000.00.

For fiscal year 2000, the estimated revenues and expenses of the condominium are as follows:

<u>Income:</u>	\$18,000 <sup>1</sup>
<u>Expenses:</u>	
Snow Removal & Road Maintenance	5,200.00
Electrical (Lights & Water Pumps)	2,160.00
Common Area Maintenance (Sign and Landscaping)	4,500.00
Administrative (Tax Return, Bank Charges, Office Expenses)	1,740.00
Insurance (Liability and Directors Coverage)	2,600.00
Contingency Reserve	<u>1,800.00</u> <sup>2</sup>
<u>TOTAL EXPENSES:</u>	<u>\$18,000.00</u>

Each co-owner must also pay other charges in connection with his ownership of a lot at Blue Heron Resort. For example, each co-owner will be responsible for paying real estate taxes levied on his lot and his undivided interest in the common elements, as well as any assessment for maintenance and repair of the road. The amount of such taxes will be determined by the assessor of the Township of Orange

<sup>1</sup>Based upon \$300.00 per year, per lot (number of lots equals sixty).

<sup>2</sup>There is no assurance that the contingency reserve will be sufficient.



Until the regular monthly assessments paid by co-owners other than the Developer are sufficient to support the total costs of administration (excluding reserves), the Developer shall pay the balance of such administration costs on account of units owned by it. Once the regular monthly assessments paid by co-owners other than the Developer are sufficient to support the total cost of administration (excluding reserves), the Developer shall be assessed by the Association for actual costs, if any, incurred by the Association that are directly attributable to the units owned by the Developer.

Each co-owner could be required to pay special assessments, if special assessments are levied by the Board of Directors of Blue Heron Resort Association. Special assessments may be levied by the Board of Directors in the event that, among other things, the regular assessment should prove inadequate, common elements need to be replaced or expanded, or an emergency occurs. The Bylaws of Blue Heron Resort attached to the Master Deed should be examined for further details about special assessments.

Like most expenses today, the expenses in the budget are subject to changes as a result of changing costs in the economy. The budget contained herein represents Blue Heron Resort Association's best estimate of those expenses at this time. However, these costs may increase from year to year on account of such factors as cost increases, the need for repair or replacement of common elements and properly improvements.

There are no fees, payments or services which are paid or furnished directly or indirectly by the Developer which will later become an expense of administration.

### RESTRICTIONS ON USE

In order to provide an environment conducive to pleasant living at Blue Heron Resort, the Condominium Bylaws contain certain limitations upon the activities of co-owners which might infringe upon the right to quiet enjoyment of all co-owners. Some of these restrictions are set forth herein. You should read Article VII of the Condominium Bylaws to ascertain the full extent of the restrictions.

The lots in Blue Heron Resort may be used solely for the purpose of single-family dwellings. Many restrictions apply to construction of residences at Blue Heron Resort. Article VI and Article VII of the Condominium Bylaws should be reviewed by prospective purchasers.

The use restrictions at Blue Heron Resort are enforceable by Blue Heron Resort Association, which may take appropriate action to enforce the restrictions, such as legal actions for injunctive relief and damages. The remedies available in the event of default are contained in Article XII of the Condominium Bylaws.

### INSURANCE

Blue Heron Resort Association is responsible for securing vandalism and malicious mischief and liability insurance, and, when necessary, worker's compensation insurance pertinent to the ownership, use, and maintenance of the common elements of the condominium. Such insurance policies contain



deductible clauses which, in the event of a loss, could result in the Association's being responsible for a certain portion of the loss.

Lot owners, as members of the Association, would bear any such loss in proportion to their percentage ownership of the common elements. Blue Heron Resort Association has taken out an all risk policy of insurance on the common elements. A copy of the all risk policy of insurance is available at the sales office for inspection by prospective purchasers. Worker's compensation insurance will not initially be secured by the Association, since Blue Heron Resort Association will have no employees. Co-owners should regularly review the insurance coverage of the Condominium to insure it is adequate.

The insurance coverage provided by the Association will not cover the individual lots, any articles contained therein or any personal property of a co-owner on the grounds of the condominium other than items provided by the Developer in the initial sale of a lot. Each lot owner must, therefore, secure condominium owner's insurance to insure against loss to his lot and his personal property. A lot owner should consult with his insurance adviser to determine the amount of coverage required for his particular needs. In the event a lot owner fails to procure his own insurance, he will be uninsured for any loss that might occur to his lot, to himself or his property.

### PRIVATE ROADS AND EASEMENTS

There will be a private road which services Blue Heron Resort. The road is for use by the co-owners and their guests and the Developer, and his guests, and must be maintained by the Association. The road will not be patrolled by public police forces. The Developer will not seek the dedication of the road to the County of Kalkaska or the Kalkaska County Road Commission.

The Developer is permitted to enter the condominium for the purpose of sale of lots. The Developer's sales personnel are also permitted to enter Blue Heron Resort and to maintain an office and model lots at the condominium. The usual public utility easements, such as telephone and electricity are enjoyed by those companies and municipalities responsible for the furnishing of public utilities to the condominium. As set forth more fully in Article VII of the Master Deed, the Developer has reserved perpetual easements for the unrestricted use of the private road and driveways for the purpose of ingress and egress to and from any portion of the condominium and any land contiguous to the condominium which Developer now owns or hereafter acquires, and for the right to tie into utilities serving the condominium.

Representatives of Blue Heron Resort Association are entitled to enter a lot (except a residence constructed thereon) in the case of an emergency or to make necessary repairs to a common element. While such an entry may cause inconvenience, it is necessary to the well-being of all the co-owners.

### CO-OWNER LIABILITY

If title to a lot at Blue Heron Resort passes by virtue of a first mortgage foreclosure, the new title holder is not liable for the assessments of Blue Heron Resort Association which came due prior to the acquisition of the title to the lot by that person. Any unpaid assessments are deemed to be common

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expenses collectible from all of the condominium lot owners, including that person. This provision is contained in the Condominium Bylaws, as required by the laws of the State of Michigan.

### UNUSUAL CIRCUMSTANCES

There are two (2) "organic land fills" located within this project. These organic land fills are depicted on Exhibit "B" to the Master Deed. There shall be no buildings or improvements located within the organic land fill areas.

Many of the lots within this project lie within a designated flood plain. The Michigan Department of Environmental Quality will determine where flood plains exist, and no buildings or improvements will be allowed within a flood plain area. Each lot owner is cautioned to investigate the location of the flood plain within his or her lot to ensure that all construction can meet with the needs and desires of the lot owner. The high water mark for the lake is at an elevation of 1107.0 feet, therefore, all first floor elevations, of any improvement or structure located on a lot, shall be above 1110.0 feet using the National Geodetic Vertical Datum of 1929.

The three lakes in this development, Price Lake, North 28 Lake, and South 28 Lake, are restricted to non-motorized water craft.

There shall be no on-street parking on any of the roads within the Project. Furthermore, no lot Owner shall in any way interfere with or restrict snowplowing activities.

No lot Owner shall fill in any of the ditches or retention basins located within the Project.

### LEGAL MATTERS

Donald A. Brandt, Brandt, Fisher, Alvard & Roy, P.C., 1241 E. Eighth Street, P.O. Box 5817, Traverse City, Michigan 49696-5817, served as legal counsel in connection with the preparation of this Disclosure Statement and related documents. Legal counsel has not passed upon the accuracy of the factual matters herein contained.

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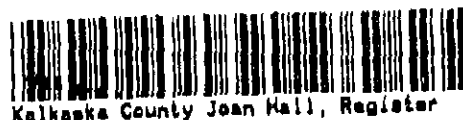
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