

DISCLOSURE STATEMENT

TOLEDO BEACH DOCKOMINIUM

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Toledo Beach Dockominium is a 359 unit marina condominium located on Lake Erie in LaSalle Township, Monroe County, Michigan which may be expanded in size so as to contain 453 units in its entirety through the addition of certain adjoining land which may contain up to 94 units.

THIS DISCLOSURE STATEMENT HAS NOT BEEN FILED WITH OR REVIEWED BY ANY DEPARTMENT OR BUREAU OF THE STATE OF MICHIGAN, NOR HAS ANY AGENCY OF GOVERNMENT UNDERTAKEN TO PASS ON THE VALUE OR THE MERITS OF THIS DEVELOPMENT AND ANY STATEMENT OR REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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.

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

TOLEDO BEACH DEVELOPMENT COMPANY
11840 Toledo Beach Road
LaSalle, MI 48145

Effective date: February 15, 1989

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DISCLOSURE STATEMENT

TOLEDO BEACH DOCKOMINIUM

I. INTRODUCTION

Under Michigan law, a 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, or material to, the creation and operation of the condominium. In the following pages, Toledo Beach Development Company, a Michigan general partnership, which has, as Developer, established Toledo Beach Dockominium (the "Condominium Project") presents its Disclosure Statement containing the required narrative summary. This Statement, along with the legal documents contained in the Purchaser Information Booklet, constitute the only authorized description of Toledo Beach Dockominium and none of the Developer's officers, employees or agents (including but not limited to sales representatives) are permitted to vary the terms contained therein.

II. THE CONDOMINIUM CONCEPT

"Condominium" is a form of property ownership. A condominium unit has the same legal attributes as any other form of real estate under Michigan law and may be sold, mortgaged or leased, subject only to such restrictions as are contained in the condominium documents. Creation of a condominium project occurs pursuant to the Michigan Condominium Act, Public Act 59 of 1978, as amended (the "Act"). A condominium project is established by recording a Master Deed in the office of the register of deeds of the county where the condominium project is located.

Each purchaser of a condominium unit receives an individual deed to his or her unit. In addition, each co-owner owns an undivided interest in the common facilities ("common elements") which serve the project. The unit and the common elements (which are legally inseparable from the unit) are described generally in the Master Deed, and the unit boundaries are shown in the Condominium Subdivision Plan attached thereto, subject to such modification or correction as is permitted by the Act and by the condominium documents. All portions of the project not included within the units constitute the common elements and are owned by all owners in undivided proportions equal to the percentages of value attributable to each unit as

set forth in the Master Deed. Limited common elements are those common elements which are set aside for the use of less than all unit owners.

The relatively close proximity of co-owners dictates that certain restrictions and obligations be imposed on each owner for the mutual benefit of all owners. Such restrictions and obligations are contained in the Master Deed and in the Bylaws which are recorded as part of the Master Deed. All of the condominium documents are prepared with the goal of allowing each co-owner a maximum amount of individual freedom and discretion without allowing any one co-owner to infringe upon the rights and interests of the group at large. All co-owners and unit occupants must be familiar with and abide by such documents if a condominium project is to be an enjoyable place.

The management and administration of a condominium project is the responsibility of the condominium association, which is a non-profit corporation of which all co-owners automatically are members. One of the primary tasks of the Board of Directors of any condominium association is to enforce the provision requiring each co-owner to pay assessments to the Association to meet expenses of administration of the project. Pursuant to the provisions of Michigan law and the condominium documents, such assessments constitute a lien against the owner's unit and in the event an owner fails to pay the assessments attributable to his or her unit, the Board of Directors may cause the lien to be foreclosed. The Board of Directors is also obligated to enforce the other provisions of the condominium documents and is given broad remedial rights in the event such provisions are violated, including the right to sue for money damages and for injunctive relief.

The foregoing is a general statement of the operational characteristics of the Condominium Project and is common to most condominium projects. Each purchaser is urged to carefully review all of the documents contained in the Toledo Beach Dockominium Purchaser Information Booklet as well as any other documents that have been delivered to the purchaser in connection with this development. Any interested person with questions pertaining to the legal aspects of the project is advised to consult with his or her own lawyer or other professional advisor.

III. DESCRIPTION OF THE CONDOMINIUM PROJECT

A. Size, Scope, and Physical Characteristics of the Project. Toledo Beach Dockominium is a 359 unit expandable marina condominium project located on Lake Erie just to the east of I-75, approximately 17 miles north of Toledo, Ohio and 6 miles south of Monroe, Michigan, in LaSalle Township, Monroe County, Michigan. It is situated in what has heretofore been

commonly known as Toledo Beach Marina and contains the land, docks and other improvements making up 359 of the marina's 560 existing boat slips.

Pursuant to the Master Deed, each of the 359 boat slips constitutes a single condominium unit. Except for ten (10) units which are contained in a partially enclosed and roofed structure, each unit is an open boat slip. Each open unit consists of the air space contained within the horizontal area shown on the Condominium Subdivision Plan as constituting the unit and extends upward from a point immediately above the underlying subaqueous land without limit. The covered units similarly consist of the air space contained within the horizontal areas shown for them on the Condominium Subdivision Plan, but the vertical boundary of such units extends upward only to the point immediately below the lowest point of the covering structure at the entrance thereto from the fairway.

The common elements of the project includes all of the land, structures and other improvements contained within the condominium premises, and except as noted below, all common elements are general common elements. Specifically, the general common elements include, among other things, the following:

(a) All shoreland, subaqueous land, driveways, sidewalks, parking areas, and sea walls located within the condominium premises.

(b) All electrical wiring and equipment located within the condominium premises except to the extent owned by a utility or governmental entity.

(c) All water lines and plumbing fixtures located within the condominium premises except fixtures and outlets exclusively servicing a unit.

(d) All telephone wiring and equipment now contained within the condominium premises or hereafter installed in connection with the Developer's renovation of the condominium premises except to the extent contained within a utility center servicing a unit or owned by the telephone company providing the service.

(e) All trash containers and picnic tables located within the condominium premises or hereafter installed by the Developer in connection with its renovation of the condominium premises.

(f) All easements benefiting the condominium premises shown on the Condominium Subdivision Plan, including, specifically, the road, parking, winter storage, navigation and bath house easements granted by the Developer pursuant to Article VI(C) of the Master Deed.

(g) An undivided one-half (1/2) interest in and to all electrical wiring and equipment and all water lines and equipment located on the property adjacent to the condominium premises through which electrical and water service is jointly provided to the condominium premises and the Adjacent Parcel.

(h) The foundations, walls, roof and other structural components of the structure containing the covered units.

(i) All docks, piers and pilings located within the condominium premises except to the extent designated as being a limited common element on the Condominium Subdivision Plan.

Each unit will have one or more appurtenant limited common elements, the use of which is restricted by the Master Deed to the co-owner(s) of the unit(s) serviced or benefited thereby. The limited common elements of the project are as follows:

(a) Adjacent to each unit is a utility center through which electricity, and in some instances, water and/or telephone service, is provided, and each such utility center is a limited common element of the unit or units it serves.

(b) In most cases, access to a unit is obtained through use of a finger pier which also serves another unit, and each such finger pier is a limited common element of the unit or units served by such finger pier.

(c) The various mooring posts imbedded in the subaqueous land, which frequently, but not always, physically separate abutting units, are limited common elements of the unit or units adjacent to and served by such mooring posts.

(d) Any equipment now existing or hereinafter installed in the structure covering the covered units exclusively servicing or benefiting one or more units located therein are limited common elements of the unit or units benefited thereby.

(e) Each plumbing fixture adjacent and providing water to each unit which does not receive water through its utility center is a limited common element of the unit it serves.

Subject to the certain exceptions, the general responsibility for maintaining, repairing and replacing all common elements, whether general or limited, belongs to the Association, even if the same are subject to one or more easements. The principal exceptions to the forgoing general rule are that:

(a) The responsibility for, and cost of, maintaining, repairing and replacing any equipment in the structure covering the covered units which is a limited common element shall be solely that of the co-owner or co-owners benefited by such equipment.

(b) As explained in greater detail below, the cost of maintaining, repairing and replacing various easements benefiting or burdening the condominium premises and the electrical and water lines and equipment jointly servicing the condominium premises and the Adjacent Parcel is shared, in varying percentages, by the Association and the Developer, and the responsibility in the first instance to undertake maintenance, repair and replacement has been made that of the Developer.

(c) Pursuant to Article XIII, Section 8, of the Bylaws, a co-owner may be held responsible by the Association for costs it incurs in repairing or replacing common elements damaged or destroyed by such co-owner or his or her family, guests, agents or invitees to the extent not covered by insurance carried by the Association.

In connection with establishing the project, the Developer is improving and renovating various portions of the condominium premises. Such improvements and renovations, which are designated as "must-be-built" on the Condominium Subdivision Plan, are as follows:

(a) Units 260 through 338 and 349 through 359 are being lengthened and reconfigured. This is being accomplished by narrowing the abutting peninsula, referred to as Put-In-Bay Peninsula. As part of such construction new sea walls and finger piers will be constructed to serve such units.

(b) Telephone lines are being installed which will each enable such service to be provided to each unit on Put-In-Bay Peninsula and Pelee Peninsula (Units 138 through 213) if the co-owner desires such service.

(c) Street lighting and asphalt parking are being constructed on Put-In-Bay and Pelee Peninsulas.

(d) Concrete walks and landscaping are being installed on Put-In-Bay Peninsula and other areas of the condominium premises.

A dock box for each unit and a minimum of fifty (50) picnic tables will also be provided by the Developer. These

items of personal property will be owned by the Association and will be located and used as specified in the Bylaws.

In addition to the foregoing, the Developer's current renovation plans include constructing a new bath house for Toledo Beach Marina on the opposite side of Toledo Beach Marina Road from Put-In-Bay Peninsula. If constructed, the new bath house will contain, at a minimum, four (4) toilets, sinks and showers per sex and a laundry room with two (2) washers and dryers. Construction of the new bath house is, however, subject to various contingencies as of the date of this Disclosure Statement, including, but not limited to, the Developer's ability to obtain necessary building and waste hauling permits. As a result, no assurance can be given that construction of the proposed new bath house will occur, and, accordingly, it has been designated "need not be built" on the Condominium Subdivision Plan.

North Shores Investment Co., the managing partner of the Developer, is the owner of the land identified in the Master Deed as being the Adjacent Parcel and other land surrounding the condominium premises. In connection with the Developer's formation, North Shores contributed various portions of the condominium premises to the Developer, together with certain other property and easements located on the Adjacent Parcel and other surrounding land which it empowered the Developer to convey to the project. Accordingly, except to the extent otherwise specifically provided by the Master Deed (as for example, in the case of the various easements and the shared electrical and water systems), neither the Association nor any co-owner will have any use or occupancy rights with respect to the Adjacent Parcel and other surrounding land. It is North Shores' current intention to continue to use such land and its buildings and other improvements for marina related sales, services and other activities as it has in the past indefinitely into the future, although North Shores has and retains the right to use the same for any lawful purpose it may from time to time determine to be appropriate.

The project is subject to various easements and reserved rights which the Developer has retained in the Master Deed in favor of itself. In all instances, such easements and rights also benefit, or at the option of the Developer may benefit, various third parties and/or near-by lands. In general, the easements and rights so reserved by the Master Deed are as follows:

(a) An easement to, through and over all portions of the condominium premises to the extent necessary or convenient for the continued maintenance, repair, replacement or removal of all utilities serving the Condominium Project or to tap, tie

into, extend or enlarge the same so as to provide service to the Adjacent Parcel or other nearby lands.

(b) An easement for the unrestricted use of all roads, walkways and fairways in the Condominium Project for the purpose of ingress and egress to, over and from all or any portion of the Condominium Project.

(c) An easement over the entire condominium premises for the drainage of rain, melting snow and other surface water emanating or flowing in any manner whatsoever from the Adjacent Parcel and other nearby lands.

(d) An easement to use that portion of the shoreland at the westerly end of the condominium premises abutting the easterly edge of Toledo Beach Marina Road to the extent necessary or desirable in order to expand, relocate, elevate, repair or improve such road.

(e) An easement to use those portions of the shoreland located on the peninsulas of the condominium premises during the period commencing on October 15 of each year and ending on May 15 of each succeeding year for the purpose of storing boats and marina related equipment upon and subject to the same terms and conditions as govern the use of the easements being granted to the Association in the Master Deed to use nearby land for boat storage purposes.

(f) An easement to use those portions of the fairway shown and designated on the Condominium Subdivision Plan as being a "Boat Display Easement" for the purpose of mooring or displaying for sale such new and used boats as the Developer determines to be appropriate.

(g) An easement to use each unit from April 1 through May 30 and from September 15 through December 15 of each year to temporarily moor boats being launched into, or removed from, the water at Toledo Beach Marina if, and to the extent that, such unit is unoccupied during such periods.

(h) An undivided one-half (1/2) interest in and to all electrical and water lines and equipment through which electrical and water service is jointly provided to the condominium premises and the Adjacent Parcel.

The project is also subject to and burdened by various easements and covenants of record in favor of independent third parties. In general, such easements and covenants run in favor of governmental entities and utility companies, and pertain to the location of utility lines and the grantee's right of access thereto for installation, maintenance and repair. However, in

one instance, easements and/or covenants run in favor of a private third party.

Specifically, in 1971, North Shores Investment Co., the Developer's managing partner and predecessor in title to the condominium premises, sold to North Cape Yacht Club, an Ohio nonprofit corporation, that parcel of land adjoining the condominium premises to the east occupied by, and commonly referred to as, North Cape Yacht Club. In the deed conveying such land to the Yacht Club, a copy of which is contained in the Purchaser Information Booklet, North Shores granted three easements to the Yacht Club with respect to certain portions of its surrounding land. In addition, North Shores undertook to perform various maintenance and repair obligations with respect to such easements and agreed that such obligations would run with its surrounding land and be binding upon, and enforceable against, its successors and assigns thereto. North Shores further agreed that the Yacht Club would have a lien on the surrounding land in the event it or its successors and assigns should ever fail to perform its agreements.

In particular, North Shores granted a nonexclusive road easement to the Yacht Club and agreed that it and its successors and assigns would at all times maintain and repair such road and its related improvements at their sole cost and expense. North Shores also granted the Yacht Club easements with respect to the channel leading to Lake Erie and those portions of the marina's submerged lands leading to the channel adjacent to its parcel. With respect to these easements, North Shores agreed that it and its successors and assigns would, at all times, and at their sole cost and expense, (i) keep such areas dredged to a bottom elevation of 564 feet above sea level, (ii) keep such areas clear and unobstructed of vessels and structures, (iii) maintain, repair and, if necessary, replace the jetty on the south side of the channel, (iv) pay one-half (1/2) of all costs incurred by the Yacht Club to maintain, repair, improve and, if necessary, replace the jetty on the north side of the channel, and (v) provide and maintain navigational lights and other aids for the channel as required by the U.S. Coast Guard or any other applicable governmental agency having jurisdiction in such matters.

The condominium premises constitutes a portion of the surrounding lands identified in the North Cape Yacht Club deed. Moreover, the road easement granted to the Yacht Club covers more than fifty percent (50%) of the Toledo Beach Marina Road Easement granted to the Association by the Master Deed, and the condominium premises contains most of the submerged lands with respect to which the Yacht Club has an easement. Similarly access to Lake Erie from the Condominium Project is obtained through the same channel. Accordingly, as North Shores' successor to land burdened by such easements and covenants, the obligations set forth in the North Cape Yacht Club deed will be

obligations of the Association and its co-owners in addition to those of the Developer and North Shores, and if not performed in the future, could give rise to a lien in favor of the Yacht Club on all or any portion of the condominium premises.

Article VII(N) of the Master Deed provides, in substance, that as between the Developer and the Association, the Developer shall be, in the first instance, responsible for undertaking the performance of all obligations imposed by the North Cape Yacht Club deed, with the Association having the right to perform the same in the event the Developer fails or refuses to do so upon and subject to the satisfaction of certain conditions. That article further provides for the sharing by the Association and the Developer of all costs and expenses incurred in connection with performing such obligations. With one exception, that Article calls for such costs and expenses to be borne sixty-five percent (65%) by the Developer and thirty-five percent (35%) by the Association. The sole exception to such allocation of costs and expenses is that the Developer remains solely responsible for maintenance and repair expenses with respect to the Yacht Club road easement to the extent that they are incurred for maintenance and repair of portions of such easement lying outside of the easement granted to the Association for Toledo Beach Marina Road.

The project is benefitted by certain easements set forth in the Master Deed which the Developer has granted to the Association for the use and benefit of co-owners. In general, such easements, and the condition and limitations applicable thereto, are as follows:

(a) A nonexclusive easement to use that certain private road leading from South Otter Creek Road to the project, identified in the Master Deed as being Toledo Beach Marina Road, for pedestrian and motor vehicle ingress and egress, subject to various conditions including:

(i) A requirement that the Association pay thirty-five percent (35%) of all maintenance, repair, replacement and resurfacing expenses.

(ii) The right of the Developer to dedicate all or any portion of such road as a public road at any time.

(iii) The right of the Developer to relocate and/or re-elevate such road at such times and in such manner as the Developer determines to be appropriate.

(iv) The right of the Developer to place or grant easements to place such utility lines upon or above such road as Developer determines to be appropriate.

(v) The right of the Developer in the first instance to undertake all maintenance, repair, replacement and resurfacing of such road and the satisfaction of notice and other requirements by the Association prior to undertaking any such work itself.

(b) A nonexclusive easement upon, over and beneath the Adjacent Parcel and Toledo Beach Marina Road to the extent necessary in order to obtain access to sea wall anchors and utility lines located in such areas and serving the project for the purpose of maintaining, repairing and replacing the same, subject to various conditions requiring notice from, and the satisfaction of certain requirements by, the Association prior to commencing any such work.

(c) A nonexclusive easement for the parking of motor vehicles on nearby land on a first come basis in conjunction with use of such area for parking by the Developer and its guests, customers, invitees and licensees, subject to various conditions including:

(i) The responsibility for, and costs of, maintenance and repair being handled and shared in the same manner as Toledo Beach Marina Road.

(ii) A limitation on the motor vehicles which may be parked in such area to automobiles, light trucks and motorcycles ordinarily used for personal transportation.

(iii) A requirement that no parking take place in such portion of such area as is also part of the Winter Storage Easement without prior approval from the Developer between October 15 of each year and May 15 of each succeeding year.

(d) An easement for the winter storage of boats of co-owners and unit lessees within a portion of the Parking Easement granted to the Association during the period from October 15 of each year through May 15 of each succeeding year, subject to various conditions including:

(i) The storage of only one boat per unit, which boat must be of a size capable of occupying its unit.

(ii) The right of the Developer to determine the location of each boat being stored and the manner in which such boat must be secured.

(iii) The obligation of the owner of each boat to be solely responsible for the security, care and condition of such owner's boat and its equipment while such boat is in storage.

(iv) A requirement that co-owners or lessees desiring to store their boat in such area so notify the Developer on or before September 15 of each year, failing which the Developer shall be free to assign or lease the space which would be occupied by such co-owner's or lessee's boat to itself or members of the general public.

v) The right of the Developer to store such boats and marina related equipment as it may determine within the area if and to the extent space remains after accommodating the boats of co-owners and lessees.

(e) An easement to navigate and dredge those subaqueous lands which separate fairways in the project from the channel to Lake Erie, subject to various conditions including:

(i) A requirement that the bottom elevation of such area be maintained at all times at 564 feet above sea level and that the Association pay sixty-five percent (65%) of all dredging costs incurred to maintain such elevation.

(ii) The right of the Developer in the first instance to undertake all dredging within such area and the satisfaction of notice and other requirements by the Association prior to undertaking any such work itself.

(iii) The right of the Developer to prohibit the dredging of such area below 564 feet above sea level if and to the extent the Developer determines that such deepening might damage, impair or endanger the Adjacent Parcel or any improvement located thereon, including, but not limited to, sea walls.

(f) A nonexclusive easement to use the restroom and shower facilities of the existing bath house on a first come basis in conjunction with the use thereof by the Developer and its guests, customers, invitees and licensees, subject to various conditions including:

(i) A requirement that except for expansion and renovation costs incurred during the first five (5) years from and after filing of the Master Deed, the Association pay sixty-four and one-tenth percent (64.1%) of all operating, maintenance, repair and replacement costs and expenses of the bath house.

(ii) A requirement that the Associations share of operating, maintenance, repair and replacement costs and expenses be proportionately increased in the event and each time that the Condominium Project is expanded.

(iii) The right of the Developer to expand, renovate and/or relocate the bath house at such times and in such manner as the Developer determines to be appropriate.

(iv) The right of the Developer in the first instance to undertake all maintenance, repair and replacement of the bath house and the satisfaction of notice and other requirements by the Association prior to undertaking any such work itself.

(g) A nonexclusive easement to use such bath house facilities as the Developer may subsequently construct opposite the condominium premises on the west side of Toledo Beach Marina Road on the same basis, and subject to the same terms and conditions, as are set forth in the Master Deed for use of the existing bath house, subject to the limitation that such easement will expire in the event that construction of a new bath house is not commenced within five (5) years from and after the date of recording of the Master Deed.

In general, each of the foregoing easements is for the use and benefit of the parties and lands identified in the Master Deed as being the recipient of such easement and their respective guests, invitees, licensees, successors and assigns. Also, in all instances, the interest of the Developer in such easements and rights are transferable separately and in gross to one or more parties.

In addition to the easements being retained and granted by the Developer, the Master Deed contains certain covenants running with the land and other restrictions which the Developer has imposed to restrict the use and prevent the misuse of the project.

Specifically, the Master Deed prohibits, among other things:

(a) The mooring of other than noncommercial seaworthy pleasure boats and their tenders within any unit.

(b) The use of any unit or common element for business or commercial purposes on a regular basis.

(c) The anchoring or mooring of boats in the fairways of the project or in any of the other fairways of Toledo Beach Marina or the building or placing therein of anything which would obstruct navigation.

(d) Boat fueling or launching within the project or within or at the other fairways, slips or docks of Toledo Beach Marina except at such fueling and launching facilities, if any, as may be from time to time located within Toledo Beach Marina.

(e) Maintenance, repair or installation work on any boat within the project except to the extent that such work occurs between the hours of 8:00 a.m. and 8:00 p.m. and can be performed solely from within the boat or from within the unit occupied by it without the need for hoists, jacks, compressors, engines, booms, lifts or other similar or heavy equipment, and without the need for placing any equipment, tools or parts on any common element, it being the general intent of such restriction to permit only such ordinary and usual maintenance, repair and installation work as an ordinary individual might typically perform on his or her own boat with typical hand tools.

(f) Any person from performing any work on any boat other than the owner thereof unless and until the owner of the boat and the person who will be performing the work satisfy the notice, insurance and other similar requirements specified by the Master Deed.

(g) Recreational swimming in the project.

(h) Sanitary waste removal from boats within the project except through the use of such means and methods as are from time to time approved by the Association and the Developer.

(i) The mooring of any boat within any unit between December 15 of each year and March 15 of each succeeding year.

In addition to the foregoing prohibitions, the Master Deed contains a covenant requiring the maintenance of a separate submeter to measure water usage of the project so long as water to the project is provided through, and metered and billed solely to, the Adjacent Parcel. Such submeter will be owned and maintained jointly by the Association and the Developer in the same manner as the other jointly owned electrical and water lines and equipment. The covenant obligates the Association to remit to the Developer its share of each water bill within five (5) days of being provided with a copy of such bill and a computation of its share based on the percentage of all water used which is in turn used by the project as shown by the submeter.

B. Legal Documentation.

(i) General. Toledo Beach Dockominium was established as a condominium project pursuant to the Master Deed recorded in the Monroe County Records set forth in the Purchaser Information Booklet. The Master Deed as recorded contains as Exhibit A, the Bylaws, and as Exhibit B, the Condominium Subdivision Plan, a survey establishing the physical relationship and location of each of the proposed units in the project.

(ii) Master Deed. The Master Deed contains a definition of terms used within the Condominium Project, the percentage of value assigned to each unit, and a description of the general common elements constituting the project and such limited common elements as are assigned therein or may subsequently be assigned to individual units to the exclusion of other units. The Master Deed also contains the easements and covenants which have been granted, reserved or imposed by the Developer previously summarized. In Article VIII, the Developer has reserved the right to further expand the project by adding the land described therein (which lies generally to the north of the project and to the west of North Cape Yacht Club) and constructing up to ninety-four (94) slip units as and when it may elect any time within six (6) years from and after the date the Master Deed was recorded. Article IX of the Master Deed reserves to the Developer certain rights to amend the condominium documents in order to make immaterial changes therein, to provide for the correction of errors, to facilitate expansion of the project as permitted by Article VIII, and to achieve documents which will meet the requirements of certain lending institutions.

The percentage of value assigned to each unit by the Master Deed was computed on the basis of the prices of the units as determined by the Developer, with the resulting percentages reasonably adjusted to total exactly one hundred percent (100%). Such percentages of value will be revised by the Developer in the event the project is expanded in order to preserve a total value of one hundred percent (100%) for the entire project. Any such readjustment will reflect the relative value which would have existed among the units assuming all units had been built and sold at the same time.

(iii) Bylaws. The Bylaws contain provisions relating to the operation and management of the Condominium Project and, in particular, set forth in Article IX the provisions relating to both regular and special assessments of the members to pay the costs of operation of the Condominium Project. Certain restrictions upon the ownership, occupancy and use of the condominium premises, including individual units, are listed in Article XIII.

C. Condominium Project Recreational Facilities. The units are recreational in nature, and the use thereof, and of the common elements of the Condominium Project, are generally restricted by the Master Deed to such uses as are ordinarily and customarily associated with recreational boating activities. Except for a minimum of fifty (50) picnic tables which will be located at various sites about the project and for some general landscaping of certain portions of the shoreland permitting such areas to be used for picnics and similar outdoor activities, no recreational improvements or facilities

are planned for, or will be constructed by the Developer on, the condominium premises.

D. Expansion of the Project. Pursuant to Article VIII of the Master Deed, the Developer has reserved the right to expand the project from time to time during the six (6) year period following the date the Master Deed was recorded by adding all or such portion of the land described therein. In general, such area lies to the north of the project and to the west of North Cape Yacht Club. If fully expanded, up to an additional ninety-four (94) slip units may be constructed and added to the project. The Developer's right to so expand the project within the six (6) year period is absolute and unrestricted with respect to determining when and what portions, if any, of the additional land will be added to the project and the number of units and other improvements that may be located thereon. Similarly, the nature, appearance, location and order of construction of all additional units and other improvements constructed on any part of the additional land will be determined by the Developer in the sole and exclusive exercise of its discretion, subject only to the limitation that such units and other improvements be consistent with the existing units and improvements of the project in terms of general size and quality of construction. Any expansion of the project will be given effect by the Developer's recording of an appropriate amendment to the Master Deed as required by law, and if expanded, the Developer shall prepare and record an appropriate Consolidating Master Deed upon the completion of expansion. Although there may be numerous consequences to existing co-owners in the event the project is expanded some of which could have either a favorable or unfavorable effect on the then existing co-owners, it is impossible to presently identify or assess the significance of all such consequences, as the same will vary with the expansion plans subsequently adopted by the Developer and will become apparent only when such plans are finally completed. Certain things will or very likely will occur in connection with each expansion of the project. These are as follows:

(a) The percentages of value assigned to the existing units of the project by Article V of the Master Deed will be adjusted so that a total value of one hundred percent (100%) is retained for the entire project. Article VIII of the Master Deed reserves to the Developer the sole and exclusive right to make such adjustments as it determines to be appropriate subject only to the limitation that the percentages of value assigned continue to reflect the relative value that would have existed among the units assuming all had been built and sold at the same time. As such percentages of value are used by the Master Deed and Bylaws to determine, among other things, each co-owner's voting power as a member of Toledo Beach Dockominium Association and each co-owner's obligation to pay assessments for the maintenance and upkeep of the project, expansion of the

project will decrease an existing co-owner's relative voting power and may result in a relative change in the amount of the assessments payable thereby. Depending upon the amount of the additional costs incurred for maintenance and upkeep of the project once expanded, and the percentage of value assigned to units in connection with such expansion, an existing co-owner's responsibility for assessments can be expected to change and may, in fact, increase. The Developer does not currently anticipate, however, that any such change resulting from expansion of the project would be adverse to existing co-owners.

(b) Existing common elements in the project may be changed in connection with an expansion. Article VIII of the Master Deed reserves to the Developer the right to change existing common elements to the extent reasonably necessary or convenient to expanding the project. Such right includes, but is not limited to, altering roads and walkways of the project to connect the same with roads and walkways to be located in the land added to the project. The Developer does not currently anticipate extensive changes to the common elements of the project in connection with any subsequent expansion.

IV. THE DEVELOPER AND OTHER SERVICE ORGANIZATIONS

A. Developer's Background and Experience. Toledo Beach Development Company is a Michigan general partnership which has been recently formed to serve as the Developer of the project. The sole partners of Toledo Beach Development Company are North Shores Investment Co., a Michigan corporation, and Toledo Holding, Inc., an Ohio corporation doing business in Michigan under such assumed name, which are privately owned corporations having common share ownership. North Shores Investment Co. is designated as being the managing partner of Toledo Beach Development Company pursuant to its partnership agreement, and as such, is responsible for the day to day activities of the Developer in establishing and operating the project. The Developer and its partners have no previous experience in developing condominium projects. However, North Shores Investment Co. originally constructed and developed Toledo Beach Marina and has been the owner and operator of the same since its beginning in approximately 1962.

The principal officers and/or employees of North Shores Investment Co. and Toledo Holding, Inc. involved in development of the project and their experience with marina operations and matters are as follows:

Virgil A. Gladieux is the Chairman of the Board and principal shareholder of North Shores Investment Co. and V/Gladieux Enterprises, Inc., the parent corporation of Toledo Holding, Inc. In addition to Toledo Beach Marina, which it began developing in 1962, North Shores Investment Co. is an

owner and the operator of Harrison Marina, Brenner Marine and Pier 75 Marina located on the Maumee River in Toledo. Through its four marinas, North Shores Investment Co. has provided boat sales, full service, storage and dockage, in addition to being a major retail distributor of power and sailboats in the Toledo, Ohio area. Contemporaneously with his development of North Shores Investment Co., Mr. Gladieux was the founder and principal shareholder of Gladieux Corporation, a diversified food service company, acquired by Marriott Corporation in 1984. Mr. Gladieux has been an avid boater for the past forty years and, among other things, is a charter member of North Cape Yacht Club.

Timothy M. Gladieux, age 33, has served as President and as a Director of North Shores Investment Co. since December, 1984 and as President and Director of Toledo Holding., Inc. and V/Gladieux Enterprises, Inc., its parent, since October, 1984. Prior to that, Mr. Gladieux served Gladieux Corporation as Vice President and Assistant to the President and in various other capacities since September, 1979. Mr. Gladieux attended the University of Miami, Coral Gables, Florida and he graduated in May, 1977 with a Bachelor of Arts degree, attended the University of Toledo Graduate Division, and worked in various capacities with related companies on a part time basis. Timothy M. Gladieux is the son of Virgil A. Gladieux. Among other activities, Mr. Gladieux serves as a Board trustee for North Shores Estates, Inc., a private residential community which neighbors Toledo Beach Marina. Mr. Gladieux has been an active yachtsman all his life and he has cruised through the Great Lakes and Florida. He is a member of North Cape Yacht Club in LaSalle, Michigan and Catawba Island Club in Port Clinton. He also is active in water sporting activities including fishing, snorkeling, water skiing and sailing competition.

Herbert Gill, age 60, graduated from Ohio State University in 1950 and started his business career in 1951 with the Gladieux Corporation, serving as its President from 1972 until 1984. Mr. Gill became a Vice President of Marriott Corporation in 1984 after it acquired Gladieux Corporation and served in that capacity until his retirement in 1987. Following his retirement, Mr. Gill was retained and continues to serve as a Special Consultant to North Shores Investment Co., which is an owner and the operator of Toledo Beach Marina, Harrison Marina, Brenner Marine, and Pier 75 Marina. Mr. Gill has owned both power and sailboats for the past 51 years and continues to be a very active yachtsman. He is a charter member of North Cape Yacht Club and is presently on its board of directors. During his years of boating, his activities have included competing in many national and international sailing events, winning several major championships. Mr. Gill also holds a United States Coast Guard Captain's license.

Paul R. Reed has been a Vice President of North Shores Investment Co. since 1973. Since joining North Shores Investment Co. in July of 1971, Mr. Reed has been principally engaged as the general manager of Toledo Beach Marina. Mr. Reed has been actively involved in boat sales, service and marina operation since 1964 since attending Bowling Green State University and the University of Toledo, where he studied marketing and accounting. He is a member of the Michigan Boating Industry Association, Toledo Yacht Club, and Catawba Island Club, and an Honorary Member of North Cape Yacht Club. During his career, Mr. Reed has been very active with boat manufacturers, having served on several manufacturer advisory boards, including the Hatteras Yachts Dealer Advisory Counsel.

B. Other Service Organizations. To assist it in planning and developing the project, the Developer retained the services of Marina/Consult Corp. of Mass., a Massachusetts corporation, which will serve as the project's principal marketing agent either directly or through a related entity. Marina/Consult, one of the marina industry's most experienced development, management and marketing firms, is widely recognized for its expertise with regard to marina condominiums and other long term dockage arrangements. Since 1985, it has planned or otherwise assisted in over 50 such projects across New England, the Mid Atlantic and the Southeast.

Site planning for the project is being provided by the Developer with the assistance of Great Lakes Consulting and Technical Services, Inc., 19500 Middlebelt Road, Suite 100, Livonia, Michigan 48152. King Construction, 13520 Barry Street, Holland, Michigan 49424, is the primary contractor responsible for excavating and reconfiguring Put-In-Bay Peninsula and installing its new sea walls. As of the date of this Disclosure Statement, the Developer, which is serving as its own general contractor, had yet to retain construction, electrical and other contractors to perform the other work being undertaken by the Developer to renovate the condominium premises. Surveying and preparation of the Condominium Sub-division Plan was by G. B. Warnke & Associates, 9489 Lewis Avenue, Temperance, MI 48182. Property management for the project will be provided by North Shores Investment Co., the Developer's managing partner.

V. OPERATION AND MANAGEMENT OF THE CONDOMINIUM PROJECT

A. The Condominium Association. The Condominium Project will be maintained and administered by Toledo Beach Dockominium Association, which has been incorporated by the Developer as a nonprofit corporation under Michigan law. The Association is governed by its Board of Directors. In turn, the Directors elect the officers of the Association, who are generally accorded such powers by the Bylaws as are usually and

ordinarily afforded corporate officers with respect to the taking of action for the Association.

Each co-owner (including the Developer) is a member of the Association and ultimately all Directors of the Association will be elected by the co-owners voting in accordance with Article II of the Bylaws at the annual meetings of the Association. However, in accordance with the Bylaws and the Michigan Condominium Act, the Developer has designated the members of the first Board of Directors and at least one Director, if not a majority of the Board of Directors, will very likely be designated by the Developer for a substantial period of time subsequent to the first sale of a unit in the project to a non-developer co-owner.

Specifically, Article IV, Section 6, of the Bylaws provides, in substance, that the Developer shall be entitled to appoint one (1) Director to the Board of Directors of the Association so long as, at the time any such new Board is established, (i) the Developer owns and offers for sale ten percent (10%) or more of the units in the project or (ii) ten percent (10%) or more of the units that may be created if the project is fully expanded remain to be created. Moreover, the effect of Sections 2, 3, 4, 5 and 8 of Article IV, when read in the aggregate, is to provide that the Developer has the right to appoint all Directors not required to be elected by non-developer co-owners, with non-developer co-owners being entitled to elect Directors as follows:

(1) At least one (1) Director, and not less than one-quarter of the entire Board, following such date as legal or equitable title to twenty-five percent (25%) of the units in the project that may be created if the project is fully expanded are conveyed to non-developer co-owners.

(2) At least one (1) Director, and not less than one-third of the entire Board, following such date as legal or equitable title to fifty percent (50%) of the units in the project that may be created if the project is fully expanded are conveyed to non-developer co-owners.

(3) All Directors (other than the Director the Developer is entitled to appoint as above provided in the first sentence of this paragraph) following such date as legal or equitable title to seventy-five percent (75%) of the units in the project that may be created if the project is fully expanded are conveyed to non-developer co-owners.

(4) Notwithstanding (1), (2) and (3) above, except as otherwise provided by Section 6 or Article IV of the Bylaws, fifty-four (54) months from and after such date as legal or equitable title to a unit in the project is conveyed to a non-developer co-owner, the non-developer co-owners shall elect

such number of Directors as shall equal the percentage of the units they hold, and the Developer shall appoint such number of Directors as shall equal the percentage of units owned by the Developer and for which it is paying assessments.

Finally, the Bylaws require the calling of a special meeting of the members of the Association, if necessary, in order to establish Boards of Directors as required above.

The Board of Directors currently consists of four (4) individuals appointed by the Developer. Pursuant to Article IV, Section 2, of the Bylaws, each subsequent Board will consist of not less than three (3) nor more than nine (9) individuals. Until the earlier of such date (i) as legal or equitable title to seventy-five percent (75%) of all units in the project that may be created if the project is fully expanded are conveyed to non-developer co-owners or (ii) as shall be fifty-four (54) months after the date of the first conveyance of legal or equitable title of a unit to a non-developer co-owner, the Developer shall determine the size of each subsequent Board of Directors. Thereafter, the size of the Board, which shall not be less than three (3) nor more than nine (9) members, will be determined by vote of the members of the Association prior to the establishment of each Board; provided, that, if a motion is not made and carried to increase or decrease the size of the Board, then the Board remains the same size.

B. Advisory Committee. Pursuant to the Michigan Condominium Act and Article V of the Bylaws, an advisory committee of non-developer co-owners will be established not later than the earlier of (i) one hundred twenty (120) days after such date as legal or equitable title to one-third (1/3) of the units in the project that may be created if the project is fully expanded are conveyed to non-developer co-owners or (ii) such date as shall be the first anniversary date upon which legal or equitable title to a unit is conveyed to a non-developer co-owner. The purpose of the committee will be to facilitate communication between the Board of Directors of the Association and non-developer co-owners. The advisory committee will consist of three (3) individuals, and such individuals may in the first instance be appointed by the Developer. Thereafter, members of the advisory committee will be elected by the non-developer co-owners at each subsequent annual meeting of members of the Association. The advisory committee will automatically cease to exist at such time as non-developer co-owners shall elect a majority of the Board of Directors of the Association.

C. Condominium Association Management Contracts. The Bylaws permit (but do not require) the Association to employ a professional management agent to manage the affairs of the condominium. The Association has entered into a management

agreement with North Shores Investment Co., the Developer's managing partner, for an initial term ending December 31, 1990, a copy of which is contained in the Purchaser Information Booklet. The Management Agreement obligates North Shores to provide services or cause certain services to be provided to the Association. Among these will be general dock maintenance, road, parking lot and grounds maintenance, trash and snow removal, insurance, booking, billing, and other items more particularly described in the Management Agreement. The cost of such services under the Management Agreement is (\$18,000.00) per fiscal year of the Association. The Management Agreement does not cover property taxes, personal property insurance and any extraordinary services the management agent may be requested by the Association to perform. If the transitional control date (the date upon which a Board of Directors of the Association takes office as result of an election in which non-developer co-owners cast a majority of the votes) occurs prior to December 31, 1990, then the Management Agreement may be terminated upon thirty (30) days notice in accordance with § 55(2) of the Act to the extent it would extend for a period of more than one (1) year beyond that date.

D. Project Finances.

(i) Budget. The provisions of Article IX of the Bylaws establish the means whereby the Board of Directors must annually adopt a budget for the operation of the condominium. The initial budget for the period from January 1 to December 31, 1989 has been formulated by the Developer and is intended to provide for the normal and reasonably predictable expenses of maintenance and administration of the Condominium Project. It is contained in the Purchaser Information Booklet as Exhibit A to the Management Agreement. Inasmuch as the budget must necessarily be prepared prior to the commencement of operation of the Condominium Project it reflects estimates of expenses based in part on bids, in part upon North Shores Investment Co.'s experience as the operator of Toledo Beach Marina and in part upon the estimates of others. Because other services will be billed at actual costs rather than fixed costs there could be a variance in the actual and budgeted expenditures. To the extent that the goods and services necessary to service the Condominium Project increase or decrease in cost, the budget and the expenses of the Association will also likely reflect such changes.

(ii) Assessments. Each co-owner of a unit included within the project must contribute to the Association in proportion to the percentage of value assigned to his or her unit in the Master Deed and the Board of Directors is authorized to assess to each co-owner his or her proportionate share of the Association budget. The Board of Directors may also levy special assessments in accordance with the provisions of Article IX, Section 3 of the Bylaws. It is not anticipated

that there will be any special assessments levied during the project's development and sale period.

The Developer, although a member of the Association, is not required to pay Association assessments with respect to incomplete units; rather the Developer must contribute only its proportionate share of the Association's expenses actually incurred, as described in Article IX, Section 8 of the Condominium Bylaws. However, the Developer must contribute to the Association in accordance with the percentages of value assigned to completed units owned by it. The Developer is, of course, required to maintain all incomplete units owned by it.

(iii) Other Possible Liabilities. Pursuant to Section 84a of the Condominium Act, each purchaser is hereby advised of the 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 that mortgage, the holder of the first mortgage or other purchaser is not liable for unpaid assessments which are chargeable against that unit and which became 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.

(iv) General. In general, the provisions which are relative to the operation and fiscal management of the condominium and the Association are more particularly set forth in Articles VII and IX of the Bylaws.

E. Insurance. The condominium documents require that the Association carry fire and extended coverage for vandalism and malicious mischief and liability insurance and workmen's compensation insurance, if applicable, with respect to all of the common elements of the project. In addition, they permit the Association to carry such additional insurance as its Board of Directors may from time to time determine to be appropriate. Such policies will typically have deductible clauses and to the extent thereof, losses would be borne by the Association. The Board of Directors is responsible for obtaining insurance coverage for the Association. Each co-owner's pro rata share of the annual Association insurance premiums is included in the regular assessment. All insurance policies will be available for inspection during normal working hours. A copy of the Certificate of Insurance showing the insurance currently in force for the project is contained in the Purchaser Information Booklet. Each co-owner is responsible for obtaining insurance coverage with respect to his or her boat and any personal property located within his or her unit or elsewhere on the project and for his or her personal liability for occurrences within his or her unit or upon limited common elements appurtenant to his or her unit, and the Association shall have no

responsibility for obtaining such coverage. Additionally, each co-owner must adequately insure, at his or her own expense, any improvements made within such co-owner's unit; if the Association elects to include such improvements under its insurance coverage, the co-owner will be assessed any additional premium cost for such coverage. The Association should periodically review all insurance coverage to be assured of its continued adequacy and co-owners should do the same with respect to their personal insurance.

F. Restrictions on Ownership, Occupancy and Use. Article XIII of the Bylaws sets forth restrictions upon the ownership, occupancy and use of a unit and the common elements in the project. It is not possible to accurately and completely characterize such restrictions and each prospective purchaser should review the restrictions in their entirety to ascertain whether their operation will interfere with his prospective use of the Condominium Project. However, the following are certain of the more significant restrictions:

(i) No unit can be used on a regular basis for other than recreational boating purposes and the mooring of noncommercial boats and their tenders.

(ii) All boats with motors are required to have mufflers and produce no more than eighty-six (86) decibels of noise on the "A" scale at a range of fifty (50) feet, or such lesser amount of noise as may be established by law from time to time.

(iii) No bow sprit or other portion of any boat may project over any pier or into any fairway.

(iv) Household pets are permitted within the project, but the right of a co-owner to have a pet may be revoked if the co-owner fails to follow the rules regarding pets contained in the Bylaws or from time to time adopted by the Association.

(v) There are substantial limitations upon physical changes which may be made to the units and common elements, and upon the uses to which the common elements and units may be put as well.

(vi) In general, no snowmobiles, skimobiles, motor homes, house trailers, trucks, commercial vehicles, boats, campers or trailers of any kind (including those transporting the same) may be used, parked, or stored upon the Condominium Project, and all permitted vehicles must be parked in an area specifically designated therefor by the Association.

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

(viii) Without the written approval of the Association and the Developer, no co-owner shall perform any landscaping on the common elements.

(ix) Charcoal fires for preparing food may be made only in such locations as may be designated by the Association and only if made in commercially manufactured and retailed grills of a good quality and operating condition.

(x) Each boat moored in the project must be covered by an effective policy of insurance in such amounts and in such form as the Association from time to time determines to be appropriate, but such insurance shall in no event provide less than \$500,000 of protection and indemnity coverage.

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

Subject to certain limitations, co-owners, including the Developer, may personally lease or rent any units for the purposes permitted by Article XIII of the Bylaws for periods of such duration as they shall determine to be appropriate. Specifically, Article XIII of the Bylaws requires co-owners who lease their units for more than thirty (30) days to supply the Association with a copy of the exact lease form for its review for compliance with the Condominium Documents and to give the Association prior notice of their intention to so lease their units. It also contains provisions whereby the lessee agrees to abide by the terms of the Condominium Documents and by regulations issued by the Association. Purchasers should be advised that the Developer anticipates that a number of co-owners may lease their units and that there is no maximum limit on the number of units in the project which may be leased.

VI. 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 prior to closing are set forth in the Reservation and Purchase Agreement and the Escrow Agreement. Both of those documents should be closely examined by all prospective purchasers in order to ascertain disposition of earnest money deposits to be advanced by purchasers prior to the time of closing and anticipated closing adjustments.

Specifically, with respect to earnest money deposits, the Escrow Agreement requires the Escrow Agent (Lawyers Title Insurance Corporation acting through Monroe County Abstract and Title Company, its local agent) to retain the funds deposited with it in an account at a federally insured bank and to disburse such funds to the Developer or the purchaser only upon

the occurrence of one of the conditions specified therein. In general, it provides for such funds to be disbursed to the purchaser in the event the purchaser validly exercises a right to withdraw from the Reservation and Purchase Agreement and for the funds to be disbursed to the Developer upon completion of a unit and the transfer of title thereto to a purchaser once the must be built items are substantially complete. Any interest earned on funds while so deposited is payable to the Developer. The Escrow Agent is, however, authorized to retain all or a portion of the funds in its possession otherwise distributable to the Developer in the event it determines that the must be built items of the project are not substantially complete. Any amount so retained will be equal to the estimated cost to substantially complete the uncompleted must be built items as determined by a licensed engineer or architect. Notwithstanding the foregoing, the Escrow Agent is authorized to release all or any portion of the funds deposited with it if the Developer provides adequate security to the Escrow Agent for the amounts withdrawn. Such security might include, for example, an irrevocable letter of credit or other substitute security as may be permitted by law and approved by the Escrow Agent. Finally, the Escrow Agreement contains provisions pursuant to which non-developer co-owners can obtain access to the funds retained by the Escrow Agent for the purpose of completing must be built portions of the project which are not substantially completed within nine (9) months after sale of the first unit in the project to a non-developer co-owner.

B. At Closing. Each purchaser receives by warranty deed, fee simple title to his unit subject to no liens or encumbrances other than the condominium documents and those other easements and restrictions which are specifically set forth in the condominium documents and title insurance commitment. The Developer's obligation to close unit sales is subject to no contingencies other than if Developer determines not to establish the Condominium Project or decides not to construct a particular unit.

C. Subsequent to Closing.

(i) General. Subsequent to the purchase of the unit, relations between the Developer and the co-owner are governed by the Master Deed, the Bylaws and the Condominium Act, except to the extent that any contractual provisions of the Reservation and Purchase Agreement and the Escrow Agreement are intended to survive the closing.

(ii) Condominium Project Warranties. The Developer is warranting that the limited common elements of each unit shall be free from defects in material or workmanship for one (1) year from and after the date legal or equitable title to the unit is conveyed to the original purchaser. Except for emergencies or in other extraordinary circumstances, all

warranty claims must be submitted in writing to the Developer at its address appearing on the cover sheet of this Disclosure Statement within fourteen (14) days after the expiration of the applicable one (1) year warranty period. In the case of emergencies or in other extraordinary circumstances where written communications would be inappropriate, purchasers should contact the Developer by telephone at the number appearing on the cover sheet of this Disclosure Statement. This warranty is extended only to the first purchaser of each unit and is not transferable. The terms of the Developer's warranty are completely set forth in the Limited Warranty, a copy of which is contained in the Purchaser Information Booklet, and it is recommended that prospective purchasers examine the Limited Warranty and review it with advisors of their choice prior to the execution of the Reservation and Purchase Agreement and the closing of a purchase of a condominium unit. No express warranties are being made by the Developer except as set forth in the Limited Warranty.

VII. LOCAL GOVERNMENT, TAXES AND UTILITY SERVICE

A. Local Government. The project is located in LaSalle Township of Monroe County, Michigan and the Monroe County School District.

B. Real Property Taxes. Taxes upon the condominium units are assessed by the Township of LaSalle, the County of Monroe and the Monroe County School District. Pursuant to Michigan law, taxes are required to be assessed on the basis of fifty percent (50%) of true cash value. Real property taxes attributable to each unit in 1989 may be assessed against the condominium premises as a whole, and if so, all such taxes shall constitute an expense of administration to be shared by the co-owners of such units in proportion to their respective percentages of value. If such occurs, the Association will receive one tax bill which must be paid by the Association rather than by the individual co-owners of such units. Pursuant to the Reservation and Purchase Agreement, each original co-owner may be required to pay into an escrow account maintained by the Association the estimated portion of taxes for 1989 not prorated to the Developer at closing. If necessary, the Developer will contribute to the payment of taxes its proportionate share for such units as it owns at the time the taxes fall due. In subsequent years, each co-owner will receive an individual tax bill attributable to his unit only. It is impossible to determine with accuracy the amount of real property taxes which will fall due in subsequent years since those taxes are a function of both property values and tax rates which may either rise or fall.

C. Building Inspections. Approval of the building plans for the project was by the LaSalle Township Building Inspector and inspection of construction will be by such Department.

D. Utilities. Utility services to the condominium premises are provided as follows:

1. Electricity - Consumers Power
2. Telephone - Michigan Bell Telephone Company
3. Water - South County Water

Portions of the electrical and water distribution systems serving the project are to one extent or another, located on, integrated with or part of the same systems which provide service to the Adjacent Parcel. In general, to the extent the same are located on, and provide service exclusively to, the Condominium Project, such items are treated as general common elements by the Master Deed. To the extent that such items are located outside the condominium premises but are used by both, the Master Deed reserves and retains to the Adjacent Parcel an undivided one-half (1/2) ownership interest in and to such items while the remaining one-half (1/2) ownership interest is granted to the Association as a general common element. The responsibility for maintaining, repairing and replacing such jointly used items is similarly allocated fifty percent (50%) to the Association and fifty percent (50%) to the Adjacent Parcel by the Master Deed. Easements are granted by the Master Deed to the Association which permit access to such jointly used items.

Neither the project nor Toledo Beach Marina is served by a public sewer line. A sewer line running to the north-east corner of, but not through, Toledo Beach Marina has been planned and proposed by the Monroe County Drain Commissioner's office since 1972, but when, if ever, such a line may be constructed is unknown. Sewage removal from Toledo Beach Marina is accomplished through the use of storage tanks, the contents of which are periodically pumped out and hauled away; under and in accordance with a permit issued to North Shores Investment Co. by the Michigan Department of Natural Resources. Such storage tanks are located on the Adjacent Parcel and service the restrooms and showers contained in the existing bath house. If built, the new bath house would also employ a pump and haul method of sewage removal.

E. Flood Plain. The entire condominium premises is part of the 100 year flood plain of Lake Erie. According to the N.G.V.D. of 1929, the all time high water mark of Lake Erie is 578.14 feet and the low water mark is 562.93 feet. The elevation of the piers in the Condominium Project vary, ranging from a low of 575.5 feet to a high of 577.9 feet. Accordingly, in the event the high water mark is approached, some of the

piers and portions of the adjoining shoreland would be under water, and all would be submerged if the high water mark is reached. As the lake level is subject to the vagaries of the weather, no assurance can be given that Lake Erie will not approach or exceed its all time high water mark in the future. In the event Lake Erie should fall in the future below its all time lower water mark, the marina would be dry. In addition, strong easterly and westerly winds can temporarily effect water levels materially. Strong easterly winds push the waters of Lake Erie into the marina and may cause temporary flooding. Strong westerly winds push water out of the marina and may occasionally cause boats moored therein to bottom on the subaqueous land.

VIII. PURPOSE OF DISCLOSURE STATEMENT

The Developer has prepared this Disclosure Statement in good faith, in reliance upon sources of information believed to be accurate and in an effort to disclose material facts about the project which it believes satisfies the requirements of the average purchaser. Each prospective purchaser is urged to engage a competent lawyer or other advisor in connection with his or her decision to purchase a unit. In accepting title to a unit in the condominium project each purchaser shall be deemed to have waived any claim or right arising out of or relating to any immaterial defect, omission or misstatement as contained within or omitted from this Disclosure Statement.

As a result of deregulation of condominium development in Michigan, the condominium documents and this Disclosure Statement have not been filed with the Michigan Department of Commerce, and the Department has not endorsed the project nor passed upon the value or the merit of the development nor made any recommendation with regard to the purchase of a unit and any representation to the contrary is unlawful. The Michigan Department of Commerce publishes The Condominium Buyer's Handbook which the Developer has delivered in connection herewith and the Developer assumes no obligation, liability or responsibility as to the statements contained therein or omitted therefrom.

The descriptions of the Master Deed and other documents contained herein are summary only and may or may not completely and adequately express the content of the various condominium documents described. Many of the terms used herein are defined in the Condominium Act and in the Master Deed and other condominium documents. Each prospective purchaser and his or her counsel are referred to the original Master Deed as recorded and copies of other original instruments as contained within the Purchaser Information Booklet which the Developer has provided to each prospective purchaser. It is the purpose of this Disclosure Statement to inform and advise purchasers and

to highlight those provisions of the documents and those facts which are believed to be material to a prospective purchaser's decision to acquire a condominium unit.

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