

DISCLOSURE STATEMENT

MEADOWBROOK

I. INTRODUCTION.

Under Michigan law, the Developer of a condominium project must fairly and accurately disclose to prospective purchasers the characteristics of the condominium Units which it offers for sale. The required disclosure is made by furnishing each purchaser with a Disclosure Statement that describes the significant features of the development, along with copies of the legal documents required for the creation and operation of the condominium. In the following pages, SELECTIVE - DELAWARE, L.L.C., a Michigan limited liability company, which is the Developer of MEADOWBROOK (the "Condominium Project" or "Project"), presents its Disclosure Statement containing the required narrative summary. This Statement, along with the legal documents referred to above, constitutes the only authorized description of MEADOWBROOK, and none of the Developer's sales agents or other representatives are permitted to vary their terms. To the extent any sales or promotional literature varies from this Disclosure Statement, only the contents of this Disclosure Statement will be binding on Developer.

II. THE LEGAL CONCEPT OF CONDOMINIUMS.

A. General. A condominium is a legal means for dividing, describing and owning real property. A Unit in a condominium has the same legal attributes as any other form of real property under Michigan law. A condominium may be sold, mortgaged or leased subject only to such restrictions as are contained in the Condominium Documents ("Condominium Documents") and as otherwise may be applicable to the property.

Each Co-Owner receives a deed to his or her individual condominium Unit. Each Co-Owner owns, in addition to his or her Unit, an undivided interest in the other components ("common elements") of the Project. Title to the common elements is included as part of, and is inseparable from, title to the individual condominium Units. Each owner's proportionate share of the common elements is determined by the percentage of value assigned to his or her Unit in the Master Deed described in Section IV of this Disclosure Statement.

All portions of the Project not included within the Units constitute the common elements. Limited common elements are those common elements that are set aside for use by less than all Unit owners. General common elements are all common elements other than limited common elements.

The Project is administered generally by a non-profit corporation (similar to a homeowners' association) of which all owners are members (the "Association"). The nature and duties of the Association are described more fully in Section VI of this Disclosure Statement.

Except for the year in which the Project is established, real property taxes and assessments are levied individually against each Unit in the Project. The separate taxes and assessments cover the Unit and its proportionate share of the common elements. No taxes or assessments are levied independently against the common elements. In the year in which the Project is established, the taxes and assessments for the

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Units covered by the Master Deed or amendment usually are billed to the Association and are paid by the owners of such Units in proportion to the percentages of value assigned to the Units owned by them.

B. Condominium Building Sites. MEADOWBROOK is a site condominium and differs from the more traditional form of condominium because the condominium Units in this Project consist of only the individual building sites, and the common elements generally do not include the buildings and other improvements to be constructed on the sites. Each condominium Unit consists of the space contained within the Unit boundaries, as shown in the Condominium Subdivision Plan, and delineated with heavy outlines. In the more traditional form of condominium Project, the Units consist of the air space enclosed within each of the buildings, and the common elements include the exterior structural components of the buildings. In MEADOWBROOK, each owner holds an absolute and undivided title to his or her Unit and to the single-family house (the "Residence") and other improvements located thereon (to the extent such improvements are not designated in the Master Deed as common elements). Each Unit owner is generally responsible for all construction, decoration, maintenance, repair and replacement of the Residence and other improvements located on his or her Unit. Unlike more traditional condominium projects, each owner in this Project will be responsible for maintaining fire and extended coverage insurance on his or her Unit and the Residence and other improvements located within it, as well as personal property, liability and other personal insurance coverage. The Association will maintain only liability insurance coverage for occurrences on the common elements and such other insurance on the common elements and otherwise as is specified in the Condominium Documents.

C. Other Information. Although the foregoing is generally accurate as applied to most condominium developments, the details of each development may vary substantially. Accordingly, each purchaser is urged to review carefully all of the documents contained in the Meadowbrook Purchaser Information Book as well as any other documents delivered to the purchaser in connection with this development. Any purchaser having questions pertaining to the legal aspects of the Project is advised to consult his or her own lawyer or other professional advisor.

III. DESCRIPTION OF THE CONDOMINIUM PROJECT.

A. Size, Scope and Physical Characteristics of the Project. MEADOWBROOK is a two hundred one (201) Unit residential site condominium Project located in Milan, Washtenaw County, Michigan. The Project consists of two hundred one (201) building sites, each of which is a separate residential condominium Unit, together with the roadways and other improvements provided for common use by the owners of the Units.

B. Utilities. Meadowbrook is served by public water and sanitary sewers, storm sewers, gas, electric and telephone service.

(1) Gas and electrical service will be furnished by DTE.

(2) Telephone service will be provided by Ameritech.

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

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

(5) The sanitary sewer and water mains are (or will, upon completion of construction and dedication) owned, operated and maintained by the City of Milan or such other public authority with jurisdiction over them. The Co-Owners will be responsible for maintaining and repairing the service leads relating to their individual Residences, to the extent such obligation is not assumed by the local utility company or governmental agency or authority.

(6) Cable television service is generally available in Milan from Comcast. The cable wiring has been (or is intended to be) installed in the Project, but the system has not yet been activated by the cable company. The Developer has no control over when cable service will be activated, and it cannot guarantee any specific activation date because the decision is not within its control.

(7) Except for the ground dewatering system located within the Project, which will be maintained and repaired by the Association at the Association's cost, all storm sewer lines and drainage facilities located within the Project, including the detention pond, will be maintained and repaired by the City of Milan.

C. Roads. The internal roads in Meadowbrook are intended to be dedicated to the City of Milan, which has indicated that it will accept the roads within the project for dedication when construction of the roads has been completed. Until completion of the roads and the completion of the dedication process, the roads within the Project will be private and will be required to be maintained by the Association. The Developer does not control when the dedication will be completed.

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

D. Reserved Rights of Developer; Assignment. Certain rights have been reserved to Developer under the Master Deed and Bylaws. A summary of the rights reserved is set forth below. However, each purchaser should review the rights reserved in the Master Deed and Bylaws to assure a complete understanding of those rights. Developer has reserved the right to assign (in whole or in part) some or all of these rights.

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

(2) Conduct of Commercial Activities. Developer has reserved the right, until all of the Units have been sold in Meadowbrook to maintain on the Condominium premises sales offices, business offices, model Units, storage areas, and reasonable parking incident to the use of such areas, and such access to, from and over the condominium premises as may be reasonable to enable development and sale

of the entire Project. Developer is obligated to restore the facilities to habitable status upon termination for such use.

(3) Right to Amend. Developer has reserved the right to amend the Master Deed without approval from owners and mortgagees for the purpose of correcting errors and for any other purpose. Any amendment that would materially alter the rights of an owner or mortgagee may, except to the extent the Developer has reserved the right in Article VIII of the Master Deed to materially amend the Master Deed without the consent of any owners or mortgagees, be made only with the approval of 66 2/3% of the owners and, to the extent required by Section (b) of Article VIII of the Master Deed, first mortgagees. Any amendment which modifies the method or formula used to determine the Percentages of Value for Units requires the consent of each affected Co-owner and mortgagee. In addition, an Owner's Unit dimensions or limited common elements assigned to such Unit may not be modified without the Owner's consent.

(4) Enforcement of Bylaws and Approval Rights. Developer has reserved the right to enforce the Bylaws as long as it owns any Unit in the Project. Additionally upon the later of expiration of the Development and Sales Period (as defined in the Master Deed) or the date certificates of occupancy have been issued for Residences for 100% of the Units (the "Transfer Date"), or at such earlier time as the Developer, in its sole discretion may elect, the Developer will assign, transfer and delegate to the Architectural Control Committee (comprised of three members of the Association appointed by the Association's Board of Directors) all of the Developer's rights to approve, waive or refuse to approve plans, specifications, drawings, elevations, submissions or other matters with respect to the construction or location of improvements or any other matter which the Developer may approve or waive as provided in Article VI of the Condominium Bylaws. The assignment will automatically occur on the Transfer Date, and the Developer shall have no further responsibilities with respect to such matters.

(5) General. In the Condominium Documents and in the Condominium Act, certain rights and powers are granted or reserved to the Developer to facilitate the development and sale of the Project as a condominium, including the power to approve or disapprove a variety of proposed acts and uses and the power to secure representation on the Board of Directors of the Association.

(6) Preparatory Infrastructure: "Must Be Built" requirements. The entire preparatory infrastructure of the Project, including but not limited to the placement and construction of all utility mains and roadways, are designated as "must be built" on the Condominium Subdivision Plan. No other improvements have been designated as "must be built", including, without limitation, the construction of any cable television lines or facilities.

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

(1) Easement and Rights to Grant Easements Retained by Developer. Developer (on its behalf and on behalf of its successors or assigns) has reserved permanent easements for ingress and egress over the roads and walks in the Condominium and permanent easements to use, tap into, enlarge or extend all roads, walks and utility lines in the Condominium, including, without limitation, all communications, water, gas, electric, storm and sanitary sewer lines, and any pumps, sprinklers or water detention areas, all of which easements shall be for the benefit of any land adjacent to the Condominium (or any expansion thereof) now or hereafter owned by Developer or its successors or assigns, whether or not such adjacent

property or properties are hereafter added to the Condominium. These easements shall run with the land in perpetuity. Developer has no financial obligation to support such easements, except that any dwelling unit using the roads, if such dwelling unit is not included within the Condominium, shall pay a pro rata share of the expense of maintenance, repair, or replacement of the portion of the road which is used, which share shall be determined pro rata according to the total number of dwelling units using such portion of the road.

Developer has reserved the right to grant easements over, or dedicate portions of, any of the common elements for utility, drainage, street, safety or construction purposes, and all persons acquiring any interest in the Condominium, including without limitation all Co-owners and mortgagees shall be deemed to have appointed Developer and its successors or assigns as agent and attorney-in-fact to make such easements or dedications. After certificates of occupancy are issued for one hundred (100%) percent of the Units in the Condominium, the foregoing right and power may be exercised by the Association.

(2) Special Assessment District. Upon approval by an affirmative vote of not less than fifty one (51%) percent of all Co-owners, in number and in value, the Association shall have the power to sign petitions requesting establishment of a special assessment district pursuant to provisions of applicable Michigan statutes for improvement of public roads within or adjacent to the Condominium. In the event that a special assessment road improvement project is established pursuant to applicable Michigan law, the collective costs assessable to the Condominium as a whole shall be borne equally by all Co-owners.

(3) Easement for Maintenance of Encroachments and Utilities. If any portion of a Unit or common element encroaches upon another Unit or common element due to shifting, settling, or moving of a building, or due to survey errors or construction deviations, reconstruction or repair, reciprocal easements shall exist for the maintenance of such encroachment for as long as such encroachment exists, and for maintenance thereof after rebuilding in the event of any destruction. The foregoing easement shall not, however, be construed to permit any encroachment by a non-appurtenant common element or Unit upon another Unit or upon the air space and subsurface contained in the other Unit as shown on the Condominium Subdivision Plan. There shall be easements to, through and over those portions of the Units and the land, Residences and improvements contained therein and the common elements for the installation, maintenance and servicing of all utilities in the Condominium, including, but not limited to, lighting, heating, power, sewer, water, communications, telephone and cable television lines.

(4) Association Easements. The Association (and the Developer prior to the First Annual Meeting), have easements in, on and over all Units and limited common elements, for access to the Units and limited common elements and the exterior of each of the Residences and appurtenances that are constructed within each Unit to conduct any activities authorized by this Master Deed or the Condominium By-Laws. The Developer, the Association and all public and private utility companies shall have such easements over, under, across and through the Condominium, including all Units and Common Elements, as may be necessary to develop, construct, market and operate the Condominium, to fulfill their responsibilities of maintenance, repair and replacement of common amenities or improvements (whether or not such common amenities or improvements are integrated into the Condominium) and also to fulfill any responsibilities of maintenance, repair, decoration or replacement which they or any of them are required or permitted to perform under the Condominium Documents or by law or to respond to any emergency or common need of the Condominium.

(5) Easements Reserved on Condominium Subdivision Plan. Easements for the construction, installation and maintenance of public utilities, including drainage facilities, have been

reserved as shown on the Plan. Within all of the foregoing easements, unless necessary approvals are obtained from the City of Milan, the County of Washtenaw and any other appropriate governmental authority, and except for the paving necessary for each Residence's driveway, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of such service facilities and utilities, including underground electrical and telephone local distribution systems, or which may change, obstruct or retard the flow or direction of water drainage in and through the easements, nor shall any change which may obstruct or retard the flow of surface water or be detrimental to the property of others be made by the occupant in the finished grade of any Unit once established by the builder upon completion of construction of the Residence thereon. The easement area of each Unit and all improvements in them shall be maintained (in a presentable condition continuously) by the Unit Co-owner, except for those improvements for which a public authority or utility company is responsible, and the Unit Co-owner shall be liable for damage to service facilities and utilities thereon, including damage to electric, gas, and telephone distribution lines and facilities therein. Except as may be otherwise provided in the Master Deed, each Unit Co-owner shall maintain the surface area of easements with the owner's Unit to keep weeds out, to keep the area free of trash and debris, and to take such action as may be necessary to eliminate or minimize surface erosion.

(6) Emergency and Public Service Vehicle Access Easement. There exists for the benefit of the City of Milan or any emergency service agency, an easement over all roads and driveways in the Condominium for use by the City and/or emergency vehicles. The easement shall be for purposes of ingress and egress to provide, without limitation, fire and police protection, ambulance and rescue services and other lawful governmental or private emergency services to the Condominium Project and Co-owners thereof. The U.S. Postal Service shall also have an easement over the roads in the Condominium for its vehicles for delivery of mail. The granting of these easements shall not be construed as a dedication of any streets, roads or driveways to the public.

(7) County Drain Easement. Certain portions of Units 87 through 101 are subject to a fifty (50) foot wide easement in favor of Washtenaw County for the York/Augusta No. 2 Drain (the "Drain Easement Area") as shown on the Condominium Subdivision Plan. Within the Drain Easement Area, unless the necessary approvals are obtained from Washtenaw County or any other applicable governmental entity and subject to Article VI of the By-Laws, no Structure shall be placed or permitted to remain which would damage, impair or interfere with the rights granted under the easement to Washtenaw County and no Co-owner shall otherwise modify or take any action or permit any action to be taken that would impair or interfere with the rights granted under the easement to Washtenaw County.

(8) Dewatering System. The Association is solely responsible for maintaining, repairing and replacing the groundwater dewatering system located within the Condominium. The City of Milan shall not be responsible for maintaining, repairing or replacing all or any portion of the groundwater dewatering system and shall have no liability whatsoever to the Developer, Association or any Co-owner for any damage to any property arising out of any failure of the groundwater dewatering system.

(9) Modification of Easements. Developer has reserved the right to expand and enlarge the easements described above by amending the Master Deed and the Plan attached as Exhibit "B" pursuant to the right of amendment reserved in Article VIII, subparagraph (c), of the Master Deed, without the consent of any Co-owner or mortgagee.

IV. LEGAL DOCUMENTATION.

A. General. MEADOWBROOK was established as a condominium project pursuant to the Master Deed recorded in the Washtenaw County Records and contained in the MEADOWBROOK Purchaser Information Book. The Master Deed includes the Bylaws as Exhibit A and the Condominium Subdivision Plan as Exhibit B.

B. Master Deed. The Master Deed contains the definitions of certain terms used in the Condominium Documents, the percentage of value assigned to each Unit in the Condominium Project, a general description of the Units and common elements included in the Project and a statement regarding the relative responsibilities for maintaining the common elements. Article IV of the Master Deed defines the common elements of the Project. Article VII contains a description of the easements, restrictions and agreements pertaining to the Project (some of which are discussed in this Disclosure Statement). Article VIII covers the process of amending the Master Deed.

C. Bylaws. The Bylaws contain provisions relating to the operation, management and fiscal affairs of the Condominium and, in particular, set forth the provisions relating to assessments of Association members for the costs of operating the Project. Article VI of the Bylaws contains certain restrictions upon the ownership, occupancy and use of the Project.

Article VI, Section 2(b)35 of the Bylaws contains provisions permitting the adoption of rules and regulations to reflect the needs and desires of the majority of Co-Owners, including rules and regulations governing the common elements. At the present time no rules and regulations have been adopted by the Board of Directors of the Association.

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

EACH PURCHASER IS STRONGLY ENCOURAGED TO REVIEW THE MASTER DEED AND BYLAWS CAREFULLY.

V. THE DEVELOPER AND OTHER SERVICE ORGANIZATIONS.

A. Background and Experience. The Developer is currently developing several other condominium or single family home projects in southeastern Michigan, such as Vistas of Central Park I, II and III, Woods of Central Park, Cobblestone South, Chatterton Village, Chatterton Square and Woodlands of Chatterton Village in Canton Township, Brookside in Superior Township, Autumn Woods in Hartland Township, Rolling Ridge I, Landings of Rolling Ridge and Ravines of Rolling Ridge in Genoa Township, Fairways of Farmington Hills and Preserves of Meadowbrook in Farmington Hills, Brookstone in Clinton Township, Aspen Ridge Square and Aspen Ridge Village in Ypsilanti Township, Country Club Village of Rochester Hills, Red Cedar Crossing in Handy Township and Highlands Village and Highlands Estates in Romulus.

The sole member of Developer is Centex Homes, a Nevada general partnership. Centex Homes is a licensed residential builder whose address is 100 Galleria Officentre, Suite 200, Southfield, Michigan 48034. Centex Homes is a national builder which recently acquired the homebuilding assets of Selective