

## CONDOMINIUM DISCLOSURE STATEMENT FOR WILLIAMS FIVE CONDOMINIUM

This Disclosure Statement discloses certain pertinent information about Williams Five Condominium (the "**Condominium**"), located at 5232 North Williams Avenue, in the City of Portland, Multnomah County, Oregon. This Disclosure Statement has been prepared by Williams Five LLC, an Oregon limited liability company (the "**Developer**"). Developer's telephone number is (971) 219-8189 and its address is 5214 N. Williams Avenue, Portland, Oregon 97217

On the date this Disclosure Statement was issued, Developer had prepared and submitted to the Oregon Real Estate Agency a proposed form of Declaration submitting the Condominium to the condominium form of ownership and a proposed form of Bylaws of Williams Five Condominium Owners Association (the "**Association**"). Developer will record in the Deed Records of Multnomah County, Oregon, a final Declaration submitting the Condominium to condominium ownership and final Bylaws of the Association. The proposed or final Declaration submitting the Condominium to condominium ownership is referred to in this Disclosure Statement as the "**Declaration**," and the proposed or final Bylaws of the Association is referred to in this Disclosure Statement as the "**Bylaws**." All capitalized terms used in this Disclosure Statement have the meanings given to them in Section 1.1 of the Declaration.

### IMPORTANT NOTE

When contemplating the purchase of a unit in a condominium, you should consider factors beyond the attractiveness of the units themselves. All prospective purchasers should study this Disclosure Statement, and the Declaration and Bylaws for the Condominium. These documents contain important restrictions and requirements regarding use and occupancy of units and common elements and rules of conduct. Such restrictions relate to matters such as permitted commercial and residential uses in the units, allowable pets, use of balconies, and parking. Give careful consideration to whether you wish to live in an atmosphere of urban community living where the interests of the group must be taken into account, as well as the interests of the individual.

There are several unique aspects of Williams Five Condominium that should be noted by all prospective purchasers. First, the two units facing Williams Avenue are designated as Live/Work Units. In addition to typical residential uses, the ground floor of each Live/Work Unit may also be used for certain identified business uses, or for a combination of residential and business uses.

Purchasers of Live/Work Units should review the Declaration and Bylaws to make certain they understand the nature of the different types of uses allowed in the Live/Work Units, and the restrictions placed on such uses. Purchasers who intend to use their units for residential purposes only must understand that some of their future neighbors will be allowed to use their units for a wide variety of non-residential purposes, as described in Section 10 of the Declaration. Purchasers who intend to use their units for "work" purposes must understand that such uses are limited to between the hours of 9:00 a.m. and 6:00 p.m. from Monday through Saturday, and that such uses may not cause any nuisance or unreasonable impediment to other unit owners' use and enjoyment of their units, including objectionable noise or odors. If the facility or utility needs for any proposed Live/Work use are different from what is provided in the unit, permits from the City of Portland may be required. To the extent that conflicts arise between unit owners regarding allowable uses of their units, the unit owners will be expected to resolve these issues between themselves before seeking resolution through the Board of Directors or the Association as a whole.

### **General Description of Condominium**

The project consists of one newly constructed building containing two Live/Work Units and three Residential Units, for a total of five units. The Live/Work Units are approximately 1,445 square feet in size, and are designated for residential use, certain types of allowed business uses, or a combination of residential and business use, as described in the Declaration and Bylaws. The Residential Units are approximately 1,520 square feet in size. The unit designation and approximate square footage of each unit are shown on the attached Exhibit A.

Developer is offering a fee simple ownership interest in a unit to the prospective purchaser. The owner of a unit also receives an undivided interest, in common with other unit owners, in the "common elements," including the "general common elements" described in Section 5 of the Declaration. The percentage interests in the common elements is allocated based on the ratio of the area of each unit to the total area of all units combined. See Section 7 of the Declaration. In addition, each unit owner also receives the exclusive right to use those "limited common elements" that pertain to his or her unit. The limited common elements include balconies on the third floors of the Live/Work Units, patios adjacent to all five units, and fenced back yard areas adjacent to the three Residential Units. See Section 6 of the Declaration. Construction on the project is scheduled to begin in May of 2007, and is expected to be completed by February of 2008.

### **Use and Occupancy Restrictions**

The Residential Units are intended and designated for residential use only, subject to certain allowances for home office uses as described in Section 7.3(a) of the

Bylaws. The two upper floors of the Live/Work Units may only be used for residential purposes. However, the ground floor of each Live/Work Unit may be used for certain specified businesses uses as described in Section 10.2 of the Declaration, or a combination of such business and residential use, subject to the prohibited uses described in Section 10.3 of the Declaration.

As described in Section 7.3(a) and (b) of the Bylaws, no more than five persons may live in a Residential Unit or Live/Work Unit on a permanent basis. Owners are permitted to keep up to three household pets such as dogs or cats within a unit. Dogs are limited in size to a maximum of 70 pounds.

### **Operation and Management of the Condominium**

The Oregon Condominium Act (ORS 100.005 to 100.910) requires that an Association of Unit Owners must be created and organized to serve as a means by which the unit owners may take action regarding the administration, management and operation of the Condominium. The Developer has created the Williams Five Condominium Owners Association (the "Association") for this purpose. The Association is a nonprofit corporation. Each unit owner is automatically a member of the Association.

The Board of Directors (the "Board") is the governing body of the Association. Unless you serve as a member of the Board, hold an office, or are on a committee appointed by the Board, your control of the administration and operation of the Condominium will in most cases be limited to your right to vote as a member of the Association. There are actions that can be taken by the Board and the Officers without a vote of the members that can have a significant impact upon the quality of life for all Unit Owners.

Until there is a sufficient number of purchasers of units to elect a majority of the Board, it is likely that the Developer will effectively control the affairs of the Association. It is typically necessary that the Developer do so during the early stages of development of a condominium, and the Developer has reserved certain special rights to do so in the Declaration. See Section 17 of the Declaration. Prospective purchasers should understand that it is vitally important to all unit owners that the transition of control of the Association from Developer to the unit owners should be accomplished in an orderly manner and in a spirit of cooperation.

In order to provide funds for the operation and maintenance of the Condominium, the Association will levy assessments against each unit for expenses and a reserve account. If you are delinquent in the payment of assessments, the Association may enforce payment through a court proceeding or your unit may be liened and sold through a foreclosure proceeding.

The anticipated expenses of the Association, including the amount each unit may expect to pay in monthly assessments, are set forth in the estimated budget attached to this Disclosure Statement as Exhibit B. The budget includes funds allocated for a reserve account, based on the Reserve Study attached to this Disclosure Statement as Exhibit C and the Maintenance Plan attached as Exhibit D.

### **Utilities**

The project is served by the following utility providers:

Water and Sewer Service:	City of Portland
Electricity:	PP&L
Telephone:	Qwest
Natural Gas:	Northwest Natural
Cable Television:	Comcast

The units are separately metered for water, sewer, electricity and gas, and those bills will be paid individually by each unit owner. The Association will pay certain electricity and water charges related to the common elements, which expenses will be included as part of the monthly dues. Prospective purchasers may contact the utility providers for further information on current rates and charges. Local services such as fire and police protection, schools and medical facilities are available in the City of Portland.

### **Sales Agreements**

The Developer is not offering any financing to prospective purchasers. Within the time specified in the purchase agreement, each purchaser must apply for loan approval by an institutional lender, or if the purchaser plans to pay in cash without obtaining financing, such purchaser must furnish Developer with any credit information requested by the Developer. In the event the purchaser is unable to obtain a loan on satisfactory terms or satisfy Developer of purchaser's ability to pay by the date specified in the purchase agreement and after diligent efforts to do so, either party may terminate the Unit Sales Agreement and purchaser's earnest money will be refunded, unless the time for obtaining such credit approval is extended by the parties. If the agreement has not been terminated within the specified financing contingency period, then the purchaser's financing contingency will be deemed waived. Thereafter, if the purchaser is unable to close the purchase because of inability to obtain a satisfactory loan, a change in financial status, a change in loan terms, or any other reason (other than a breach of the agreement by Developer), then purchaser's earnest money deposit will be paid to and retained by Developer. See Section 3.2 of the Unit Sales Agreement.

The Unit Sales Agreement provides that the purchaser may elect to have professional inspections of the property. If the purchaser notifies Developer of defective conditions disclosed by the reports within the time allotted in the purchase agreement, and Developer does not agree to correct the defective conditions, the purchaser may elect to terminate the agreement and receive a refund of the earnest money deposit. See Section 6 of the Unit Sales Agreement.

At closing, the purchaser will be responsible for the recording fee for the deed, any sales or transfer tax, an initial contribution to the working capital of the Association equal to two months of Association assessments, the next month's assessment for the unit, a pro rata share of the current month's assessment, purchaser's portion of the escrow fee, and all fees, costs and expenses in connection with purchaser's loan, if any, including the premium for any mortgagee's title insurance policy. See Section 4.3 of the Unit Sales Agreement. There is an existing trust deed on the property in favor of Pacific Continental Bank. There are no closing conditions specified by Pacific Continental Bank, and the units may proceed to recording as they are sold with partial releases issued by Pacific Continental Bank.

If the purchaser should fail to make any deposit or payment required under the Unit Sales Agreement, Developer may declare the purchaser to be in default, and, without prejudice to any other rights of Developer, declare the entire amount paid by the purchaser forfeited to Developer. In the event the purchaser fails to deposit the balance of the purchase price with the escrow agent within the time set forth for closing, Developer may, in lieu of terminating the agreement, require the purchaser to pay to Developer at closing 12% percent per annum of the total purchase price, plus tax and assessment prorates, from such date to the date of actual closing, or pay \$50 per day, whichever is greater. See Section 5.2 of the Unit Sales Agreement.

### **Warranties and Waiver of Claims**

Pursuant to ORS 100.185, for a period of one year Developer will warrant to repair or replace defective plumbing, electrical, mechanical, structural, or other components of the units and common elements of the condominium. The warranty on a unit and related limited common elements will continue for one year after Developer delivers possession of the unit to the unit owner. The warranty on the general common elements will continue for one year after (a) the first sale of a unit in the condominium, or (b) completion of construction of the specific general common element, whichever is later. The terms and conditions of Developer's warranty are described in greater detail in each unit sales agreement. Each Unit Sales Agreement will contain the following provisions regarding warranties and waiver of claims against the Developer:

**Personal Property.** Purchaser acknowledges that any warranties on appliances, equipment, and other consumer products as defined in the Magnusson-Moss Warranty Act or the Uniform Commercial Code installed in the unit are those of the manufacturer or supplier only, that Seller does not warrant such items, but that, to the extent assignable, these manufacturers' or suppliers' warranties will be assigned to Purchaser effective on the closing date. Seller shall reasonably cooperate with any such claims Purchaser may elect to pursue against the manufacturer, provided there is no cost or liability to Seller. If Seller receives any payment from a manufacturer after closing as a result of product deficiencies applicable to the unit, Seller shall deliver such payment to Purchaser after deduction of Seller's costs. Seller does not represent or guarantee the existence or validity of any manufacturer or supplier warranties or the performance by any manufacturer or supplier of its warranty obligations. With respect to any manufactured products, Purchaser expressly assumes the risk, as against Seller, that such products may be deficient, substandard or defective. Purchaser also acknowledges that the warranty of all appliances, equipment and other consumer products placed in the common elements by Seller, if any, are those of the manufacturer or supplier only, that Seller does not warrant such items.

**No Other Warranties.** To the fullest extent provided by law, seller makes no other warranties, express or implied, including, without limitation, warranties of habitability, merchantability or fitness for a particular purpose or any warranties regarding consumer products as defined in the Magnusson-Moss Warranty Act or the Uniform Commercial Code, with respect to the building, the unit, common elements, or any other part of the condominium (the "Property") other than those expressly described in this Section 9. Purchaser accepts the Property in its as-is condition at closing, without representation or warranty of any kind except for the express warranty of this Section. Without limitation to the foregoing, and except for the express warranty of this Section 9, seller makes no representation or warranty regarding (a) compliance with applicable building codes, (b) acoustics, consistency of floor slope, or sound transference within the condominium, (c) light, air or view, or (d) the ability of the building envelope or any components of the condominium to withstand water intrusion. Seller shall not be responsible for damage to the unit, common elements, or the condominium (a) caused by normal wear and tear; (b) caused by Purchaser, the Association, or other parties, whether by misuse, abuse, failure to properly maintain the unit and common elements, or otherwise; (c) exacerbated by Purchaser, the Association, or other parties, or allowed by Purchaser or the Association to be exacerbated, including, without limitation, damages exacerbated by Purchaser or the Association, as applicable, failing to allow Seller access to the unit or condominium, as applicable, to perform warranty work; (d) related to work performed in or on the Unit, common elements, or the condominium by or on behalf of the Purchaser, Association, or parties other than Seller; or (e) any other items covered by a

manufacturer's warranty. Any warranty work performed by Seller and its representatives will be during Seller's normal weekday hours and Purchaser agrees to provide access therefor in a timely fashion. The warranty term shall not be extended by any warranty repair or replacement work by Seller or its representatives. Seller makes no warranty regarding soundproofing of units and transmission of sounds between units and other areas of the condominium shall not be considered a construction defect.

**No Implied Warranties.** The warranty provided by this Section 9 shall be in lieu of any and all implied warranties against defects in the plumbing, electrical, mechanical, structural or other components of the unit or common elements.

**Defects.** As used in this Section 9, "defect(s)" or "defective" means a flaw in the materials or workmanship used in constructing the unit or common elements that: (a) materially affects the structural integrity of the unit or common elements; (b) has an obvious and material negative impact on the appearance of the unit or common Elements; (c) jeopardizes the life or safety of the occupants of the unit; or (d) results in the inability of the unit or the applicable common elements to provide the functions that can reasonably be expected in a condominium dwelling. So long as the unit is completed substantially in accordance with Seller's plans and specifications, minor deviations and variations therefrom such as, without limitation, paint color, window and floor coverings, countertops and cabinets, appliances, plumbing and electrical fixtures, hardware and other decorations, and other finish work shall not be considered "defects." Deficiencies inherent in the quality of a particular component or element of the unit or common elements shall not be considered defects due to workmanship or materials. Conditions caused by or resulting from the failure of Purchaser or the Association to perform normal and routine maintenance of the unit and common elements, as applicable, shall not be considered "defects."

**Noise, Light, Air and View.** Seller makes no representation or warranty regarding the existence of or changes in the level of noise, light, air or view benefiting or burdening the unit specifically or the condominium generally. Purchaser acknowledges that the Seller will have no liability if the current level of noise, light, air or view affecting the unit changes due to future developments. Purchaser acknowledges that as is typical in residential condominiums, the units are not soundproof and Seller makes no warranty or representation regarding the degree that exterior sounds will infiltrate the unit. Unit occupants may hear some degree of noise from the nearby streets, from nearby residences and businesses and from nearby common areas. The Association, and not Seller, will have the responsibility of enforcing rules against disturbing other members of the Association, but even reasonable levels of noise occurring outside the unit may be audible inside the unit to some degree. Purchaser should obtain independent advice from its design consultants regarding any question concerning sound transmission and any additional insulation

