



Real Estate Agency

CONDOMINIUM DISCLOSURE STATEMENT
ADOPTED & ISSUED 3-13-2003

FILE NO. CO-26-0203-492

FOR

ELIZABETH LOFTS CONDOMINIUM
(A PROPOSED CONDOMINIUM)

DECLARANT

CARROLL ASPEN ELIZABETH LLC
333 NW 9TH AVENUE
PORTLAND OREGON 97209

THIS CONDOMINIUM HAS BEEN FILED WITH THE REAL ESTATE COMMISSIONER OF THE STATE OF OREGON IN ACCORDANCE WITH THE OREGON CONDOMINIUM ACT (ORS 100.005 TO 100.910 AND 100.990). ISSUANCE OF THE ATTACHED DISCLOSURE STATEMENT DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF THE CONDOMINIUM BY THE COMMISSIONER.

THE SIZE OF THE INDIVIDUAL UNIT, THE DRAINAGE, SANITATION, DOMESTIC WATER SUPPLIES, IMPROVEMENTS AND THE PHYSICAL DEVELOPMENT AND THE OPERATION OF THE UNIT OWNERS ASSOCIATION OF THE CONDOMINIUM PROJECT ARE NOT REGULATED BY THE REAL ESTATE COMMISSIONER. THIS DISCLOSURE STATEMENT DOES NOT RELIEVE ANY PERSON FROM THE RESPONSIBILITY OF COMPLYING WITH THE REQUIREMENTS OF ANY FEDERAL, STATE, COUNTY OR MUNICIPAL AGENCY WITHIN WHOSE JURISDICTION THE CONDOMINIUM IS LOCATED.

THE REAL ESTATE AGENCY HAS NOT PHYSICALLY INSPECTED THE CONDOMINIUM AND THE INFORMATION INCLUDED IN THIS DISCLOSURE STATEMENT WAS PREPARED BY AND IS A REPRESENTATION OF THE DECLARANT.

THIS DISCLOSURE STATEMENT MUST BE GIVEN TO EACH PURCHASER NOT LATER THAN THE DATE THE UNIT SALES AGREEMENT IS FULLY EXECUTED BY ALL PARTIES AND RECEIPT THEREFORE MUST BE TAKEN.

**PROSPECTIVE PURCHASERS SHOULD READ THIS DISCLOSURE STATEMENT
BEFORE BUYING**

PRESALE DISCLOSURE STATEMENT

A Condominium is a special form of property ownership which is created and governed in Oregon by statutes known as the Oregon Condominium Act (ORS 100.005 to 100.910 and 100.990).

A Condominium is not created until there is a recording of the Declaration of Unit Ownership in the office of the recording officer of the county in which the property is located. A Plat of the property as well as a copy of the Bylaws must be recorded simultaneously with the Declaration.

Special provisions in the Oregon law allow for the sale of Units in a Condominium prior to their legal creation. This is accomplished by the adoption and issuance of a Presale Disclosure Statement by the Real Estate Commissioner and by compliance by the Declarant with certain escrow provisions. These escrow provisions provide that purchaser's funds are to be held in escrow until the Declaration has been recorded and the interest bargained for by the purchaser has been conveyed. You should review the terms of the Master Escrow Instructions to fully understand your rights in a presale transaction.

NOTE: All references in this Disclosure Statement to the Condominium and its Declaration, Plat and Bylaws should be understood to be prefaced by the term "proposed" until such time as the required recordation of documents takes place and this Disclosure Statement is revised to reflect that recordation.

**DISCLOSURE STATEMENT FOR
ELIZABETH LOFTS CONDOMINIUMS**

Name and Address of Condominium and Developer

Elizabeth Lofts Condominiums (the "Condominium") will be located on the block bounded by N.W. 9th, 10th, Everett, and Flanders Streets in Portland, Oregon. The developer of the Condominium is Carroll Aspen Elizabeth LLC, an Oregon limited liability company ("Developer"), whose address is 420 NW 11th Avenue, Suite 1004, Portland, Oregon 97209. The person to contact for further information regarding the Condominium is John Carroll, whose telephone number is (503) 228-6002.

Description of Condominium

The Condominium will consist of one newly renovated existing building and two newly constructed buildings, an outdoor plaza and associated landscaping. The first stage of the Condominium will consist of (i) one newly constructed building of 16 floors above grade with one basement level and will be of cast concrete construction with 183 primary units and (ii) another newly constructed building of one story which will be of cast concrete construction and will contain part of the retail primary unit. A "primary unit" is a unit that is used either for residential, office or for retail purposes. The primary unit to be designated for retail use will be located on the ground floor of both buildings. The primary units to be designated for residential use will be located on the fourth through sixteenth floors of the main building. Some of the parking units will be of a compact size and not all vehicles may fit into all spaces. The second stage will consist of a newly renovated 3 story building of masonry construction with 6 residential units and 2 retail units. The Condominium is expected to consist of a total of 188 residential units, 3 retail units, 215 parking units, and 101 storage units in the Condominium. Developer may elect, in its discretion, to increase the number of retail units in the Condominium to a maximum of 27, which will, in turn, increase the number of primary units. If Developer elects to add more retail units, it will do so by constructing more units within the space currently

designated for such uses, rather than by constructing fewer Residential units. In no event will the number of primary units exceed 215.

The Condominium is located in what is generally a commercial district. As a consequence, occupants may be able to hear some road noise and noise from commercial activity. In addition, occupants may be able to hear sound from air compressors on the roof, mechanical systems of the Condominium, the elevator, and other incidental noise associated with living in a multi-family building.

Certain floors of the Condominium currently have a view of the City of Portland, Mt. Hood, the West Hills, the Willamette River and other scenic views. The Condominium does not have a view easement and structures may be built at a later date which affect the existing views. Developer makes no representation or warranty that the current views from the Condominium will remain in existence.

Nature of Interest Offered in Condominium

Parking units or storage units may be owned or acquired only by a person or entity who owns or will simultaneously acquire a primary unit. In purchasing a primary unit, parking unit, or storage unit in the Condominium, an owner receives two types of interest. The first is exclusive ownership and possession of that owner's unit or units. The second is an undivided interest in the common elements of the Condominium, including such elements as elevators, landscaped areas, bicycle storage room, mail room, trash and recycle areas, lobbies, decks, planter boxes, outdoor plaza, patios and common corridors. Each owner of a parking unit or storage unit will have a 0.01 percentage undivided ownership interest in the common elements. The remaining undivided ownership interest in the common elements will be allocated among the owners of primary units in the proportion that the area of that owner's primary unit bears to the total area of all primary units. Each owner of a primary unit will also have exclusive use of the deck, patio or balcony adjoining such primary unit, if any, each of which will be designated as limited common elements. The common corridors, stairways, and certain

recycling areas on upper floors will be limited common elements, the use of which shall be limited to residential primary unit owners.

In addition, each owner will automatically become a member of the Elizabeth Lofts Condominiums Owners' Association (the "Association") upon purchasing a primary unit in the Condominium. Membership in the Association terminates when the owner transfers its interest in the primary unit.

Development and Ownership

Developer is the ground lessee and holder of an option to purchase the property upon which the first stage of the Condominium will be developed, is the lessee and holder of an option to purchase the property upon which the second stage of the Condominium will be developed and is engaged in developing the Condominium.

Status of Construction

Developer expects to begin construction of the units and common elements of the Condominium in May, 2003. Developer anticipates that construction will be substantially complete in approximately January, 2005. Developer expects to begin construction on the second stage by April, 2004 and complete construction on the second stage by January, 2005. These dates are projections and are subject to revision.

Financing

Developer currently anticipates that purchasers requiring financing for the purchase of units in the Condominium will obtain such funds from third-party lenders, and not from Developer.

Warranties

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 that unit to the unit owner. The warranty on the general common elements will continue for one year after (a) the first sale of a primary unit in

the Condominium or (b) completion of construction of the specific common element, whichever is later. The terms and conditions of Developer's warranty are described in greater detail in each unit sales agreement.

Assessments and Budget

The common expenses of the Condominium are divided into expenses that benefit the retail unit (the "Retail Expenses") and expenses that benefit the residential units (the "Residential Expenses"). Except as allocated in the Declaration creating the Condominium (the "Declaration"), the board of directors of the Association is responsible for the division of these expenses. The Declaration describes in detail the division of these expenses. The Retail Expenses are charged to the owners of the retail units according to the percentage determined by the ratio which the area of each retail unit bears to the total area of all retail units. The Residential Expenses are charged to the owners of the residential units according to the percentage determined by the ratio which the area of each residential unit bears to the total area of all residential units. In the event an owner of a retail unit uses an unreasonably disproportionate amount of a service included in the common expenses, as determined by the board in its sole discretion, such owner will be required to bear the expense of such service individually (as, for example, by separate metering of utilities) and the common expenses incurred by the other owners will be adjusted accordingly.

Attached as Exhibit A to this Disclosure Statement is a projected budget of the Association for the operation and maintenance and any other common expenses of the Condominium for the twelve months following completion of the Condominium.

NOTICE TO PROSPECTIVE PURCHASERS

THE PROJECTION OF THE BUDGET OF THE ASSOCIATION OF UNIT OWNERS FOR THE OPERATION AND MAINTENANCE AND OTHER COMMON EXPENSES OF THE CONDOMINIUM IS ONLY AN ESTIMATE, PREPARED WITH DUE CARE. ACTUAL EXPENSES INCURRED BY THE ASSOCIATION MAY VARY SUBSTANTIALLY FROM THOSE SHOWN IN THE PROJECTED BUDGET.

Reserves for Capital Expenditures

The budget described above includes provision for reserves to cover capital expenditures required for replacement of all or part of the common elements of the Condominium that will normally require replacement in more than three and less than 30 years and for exterior painting, if any, as necessary. The allocation of assessments for reserves from each retail and residential unit will be determined in the same manner as set forth in the Declaration for common expenses and thus differ from unit to unit. Developer will establish a reserve account for the Condominium in the name of the Association. The reserve account is used only for such replacement of common elements and is separate from assessments for maintenance. Developer, in deciding which portion of the draft Condominium budget should be allocated to the reserve account, has made a good faith projection of the requirements of the Association with respect to replacement of the common elements based upon information from an experienced property manager for condominiums, but THIS PROJECTION MAY VARY SUBSTANTIALLY FROM THE ACTUAL REQUIREMENTS OF THE ASSOCIATION.

The Association will administer the reserve account and will conduct a reserve study annually or update such study annually and adjusts at regular intervals, but not less than annually, the amount of the periodic payments made into this account to reflect changes in current replacement costs over time. The Association may prudently invest the reserve account, subject to rules and regulations imposed by the Association. Assessments paid into the reserve

account become the property of the Association and are not refundable to owners of primary units. Sellers of primary units may treat their outstanding share of the reserve account as a separate item in a unit sales agreement.

Power and Authority of Board of Directors

The affairs of the Association are governed by its board of directors. The board will consist of from one to three directors prior to the date on which Developer turns over administrative control of the Association to the unit owners, and seven directors thereafter. The powers and duties of the board include, among other matters: (i) providing for the operation, maintenance, and repair of the common elements of the Condominium (other than those common elements that are the responsibility of the owner of the primary unit); (ii) preparing budgets for the Association; (iii) collecting assessments from the owners; (iv) hiring contractors on behalf of the Association; (v) adopting rules and regulations regarding the operation and use of the Condominium; (vi) obtaining insurance on behalf of the Association; (vii) filing tax returns on behalf of the Association; and (viii) electing the Association's officers.

The board is also responsible for enforcing the provisions of the Declaration, the bylaws of the Association (the "Bylaws"), and any rules and regulations. Among the board's enforcement powers are imposing fines for violations of rules and regulations and assessing late charges for overdue assessments. The Oregon Condominium Act also grants the Association the power to impose a lien on the unit of an owner whose assessments are past due, and the board may take action to obtain and foreclose this lien.

Section 3.2 of the Bylaws sets out the general powers and duties of the board. Sections 5.1 through 5.4 of the Bylaws deal with the preparation of the Association's budget and the levying of assessments against the units. Sections 7.3 through 7.5 of the Declaration address the rights of the board in response to the failure by an owner to pay Association assessments. Section 5.7 of the Bylaws describes the powers of the board to remedy a violation by an owner of the provisions of the Declaration, the Bylaws, or any rules and regulations.

Voting Rights

Subject to Section 3 of the Bylaws, each owner of a residential unit is entitled to one vote in meetings of members of the Association and on matters requiring the approval of such members (see Section 8 of the Declaration and Section 2.8 of the Bylaws). The Owner of the retail unit is entitled to 15 votes in the foregoing circumstances. Parking units and storage units are not allocated voting rights. Section 3 of the Bylaws provides, among other matters, that the owner of the primary unit designated for retail use will elect one of the Association's seven directors after Developer has turned over administrative control of the Association. Until Developer has turned over administrative control of the Association to the owners, however, Developer will have five votes for each residential unit it owns and 75 votes for the retail unit it owns (see Section 22.2 of the Declaration).

Control of Board of Directors

Until Developer turns over administrative control of the Association to the owners, Developer has the right to appoint and remove the members of the board and to exercise all of the powers of the Association and the board, including the right to approve amendments to the Declaration, the Bylaws, and any rules and regulations proposed by the owners. Developer may retain administrative control of the Association until the earlier to occur of the date that is three years after the date on which the first primary unit is conveyed or the date at which 75 percent of all 507 units have been conveyed to persons other than Developer. Section 22 of the Declaration contains additional information regarding the nature and extent of the control retained by Developer during this period.

Documents Binding Owners

The following is a list of the documents by which the purchaser of a unit may be bound:

- (i) Proposed Declaration.
- (ii) Proposed Articles of Incorporation and Bylaws of the Association.
- (iii) Notice to Purchaser (Right of Cancellation).

- (iv) Unit Sales Agreement.
- (v) Escrow Instructions.
- (vi) Plat for the condominium.
- (vii) Those exceptions to title identified in that certain Preliminary Title Report, dated as of December 17, 2002, issued by Fidelity National Title Company under Order No. 55-550642-28-C, as supplemented from time to time (the "Preliminary Title Report").

Certain of those title exceptions shown on the Preliminary Title Report may be removed from record prior to formation of the Condominium or may not affect or bind the purchaser of a unit in the Condominium.

Developer anticipates recording a deed of trust with respect to the project. All units will be sold to purchasers free and clear of any blanket encumbrance, including loan obligations, created by Developer.

Developer intends to reserve an easement for a portion of the roof above the fifteenth floor, for the installation and operation of telecommunications equipment, as well as a license to use the building conduits to serve the telecommunications equipment in the foregoing easement area.

Restrictions on Alienation

The Declaration and Bylaws impose no restrictions on the alienation of any primary unit. However, no one may own or acquire a parking unit or storage unit unless he or she owns or simultaneously acquires a primary unit. Certain parking units in the basement level of the Condominium may only be sold together. Owners of primary units may own multiple parking or storage units, subject to the foregoing limitations. No one may sell, transfer, convey, or lease a parking or storage unit except to an owner of, or a person simultaneously acquiring, a primary unit or primary unit, as applicable.

Staging of Condominium

Developer is developing the Condominium in two stages. Upon completion of construction of the second stage, Developer will annex the stage to the Condominium by means of a supplemental declaration. Developer has reserved the right to annex additional property to the Condominium for a period of 60 months following formation of the Condominium.

The number of units in the Condominium is expected to be 507, consisting of 191 primary units, 215 parking units, and 101 storage units, subject to increase as described in the section entitled "Description of Condominium" above. The maximum number of all units will be 531. Upon annexation of additional units, the owner of each additional parking, commercial or storage unit will be allocated an equal nominal interest of 0.01 percent in the common elements, and the remaining interests in the common elements will be allocated among the owners of Residential units in the proportion that the area of each owner's Residential unit bears to the total area of all Residential units.

The additional common elements that Developer intends to annex to the Condominium will be of a similar nature as to the common elements in the initial stage of the Condominium. Developer does not anticipate that annexation of such additional common elements will substantially increase the proportionate amount of common expenses of unit owners in the initial stage of the Condominium.

Use and Occupancy Restrictions

The primary units in the Condominium are intended for residential use, except that the Retail Unit may be used for commercial purposes, subject to certain restrictions. The owner of the Retail Unit will have the sole and exclusive authority to determine whether the commercial use of the Retail Unit will be permitted in the Condominium. The owner of the Retail Unit may assign such authority to the Board of Directors. No more than four persons may live in a primary unit on a permanent basis. Owners are permitted to keep up to four (4) household pets (other than fish), such as dogs or cats within a primary unit, subject to certain

restrictions. Information regarding use and occupancy restrictions relating to the Condominium can be found in Section 9 of the Declaration and Section 7 of the Bylaws.

Utilities

Electrical power for the Condominium is provided by Portland General Electric and gas is provided by Northwest Natural Gas. The primary units are separately metered for electricity; in addition, the Association pays certain electricity charges relating to the common elements. Water and sewer service is provided by the City of Portland and these utility charges, as well as gas charges, are paid for by the Association. The Association will also contract and pay for rubbish collection for the residential primary units of the Condominium. The Association will charge the foregoing expenses to the Owners as common expenses.

Streets and Roads

N.W. 9th, 10th, Everett, and Flanders Streets are public streets. Developer does not anticipate that owners will have any responsibility for these streets.

Local Services

The Condominium is located within the City of Portland Fire District. The Condominium is served by Lincoln High School, West Sylvan Middle School, and Chapman Elementary School. The nearest hospital is Good Samaritan Hospital. Several shopping areas are located in the general vicinity of the Condominium.

EXHIBIT A

Proposed Budget and Reserve Study

NOTICE TO PROSPECTIVE PURCHASERS

THE PROJECTION OF THE BUDGET OF THE ASSOCIATION OF UNIT OWNERS FOR THE OPERATION AND MAINTENANCE AND OTHER COMMON EXPENSES OF THE CONDOMINIUM IS ONLY AN ESTIMATE, PREPARED WITH DUE CARE. ACTUAL EXPENSES INCURRED BY THE ASSOCIATION MAY VARY SUBSTANTIALLY FROM THOSE SHOWN IN THE PROJECTED BUDGET.

**ELIZABETH LOFTS CONDOMINIUM
INITIAL PROPOSED OPERATING BUDGET**

CMI/10/ELC

<u>CODE</u>	<u>INCOME</u>	<u>INITIAL PROPOSED RESIDENTIAL BUDGET</u>	<u>INITIAL PROPOSED RETAIL BUDGET</u>	<u>INITIAL PROPOSED SHARED BUDGET</u>	<u>COMBINED INITIAL PROPOSED MONTHLY BUDGET</u>	<u>COMBINED INITIAL PROPOSED ANNUAL BUDGET</u>
5000	HOMEOWNERS DUES	29,270.00	379.00	46,961.00	76,610.00	919,320.00
	TOTAL INCOME	29,270.00	379.00	46,961.00	76,610.00	919,320.00
 <u>EXPENSE ITEM</u>						
6060	ELECTRIC			7,137.00	7,137.00	85,644.00
6090	GARBAGE	700.00			700.00	8,400.00
6105	GAS			5,615.00	5,615.00	67,380.00
6150	SEWER			3,557.00	3,557.00	42,684.00
6180	TELEPHONE	72.00		278.00	350.00	4,200.00
6195	WATER			2,313.00	2,313.00	27,756.00
6390	PLAZA	83.00	251.00		334.00	4,008.00
6465	ELEVATOR MAINTENANCE	1,622.00			1,622.00	19,464.00
6525	GARAGE MAINTENANCE	361.00			361.00	4,332.00
6555	HVAC SYSTEM	912.00	103.00		1,015.00	12,180.00
6585	JANITORIAL/SUPPLIES EXPENSE	10,400.00			10,400.00	124,800.00
6675	PEST CONTROL			150.00	150.00	1,800.00
6690	BUILDING MAINTENANCE			5,000.00	5,000.00	60,000.00
6735	ROOF REPAIRS			200.00	200.00	2,400.00
6885	WINDOW CLEANING			2,000.00	2,000.00	24,000.00
7060	ALARM SYSTEM			26.00	26.00	312.00
7105	ASSOCIATION OPERATIONS			515.00	515.00	6,180.00
7120	BUILDING INSPECTIONS			1,000.00	1,000.00	12,000.00
7225	INSURANCE			9,167.00	9,167.00	110,004.00
7255	LEGAL			200.00	200.00	2,400.00
7300	MANAGEMENT FEE			3,090.00	3,090.00	37,080.00
7450	SERVICE ASSOCIATION	11,520.00			11,520.00	138,240.00
7465	TAXES, LICENSE, FEES & AUDITS			418.00	418.00	5,016.00
7675	LANDSCAPE			500.00	500.00	6,000.00
	TOTAL FROM OPERATIONS	25,670.00	354.00	41,166.00	67,190.00	806,280.00
	GENERAL RESERVES	1,797.00	25.00	1,797.00	3,619.00	43,428.00
	CAPITAL REPLACEMENT RESERVES	1,803.00	0.00	3,998.00	5,801.00	69,612.00
	TOTAL OPERATIONS & RESERVES	29,270.00	379.00	46,961.00	76,610.00	919,320.00

These projections are subject to increase or decrease to reflect changes in operating policies, and/or level of service, inflation or other causes. These projections are only estimates, prepared with due care.