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REC'D NOV 15 2011

November 11, 2011

6295-027

Owner at Arbor Roses
c/o The Management Trust – Northwest
P.O. Box 23099
Tigard, OR 97281

Re: *Update on Arbor Roses Construction Defect Case.*

Dear Arbor Roses Homeowner:

This letter is intended to update owners within Arbor Roses about the current status of the construction defect litigation. This letter has been drafted so as not to disclose information subject to attorney-client privilege, and can be shared with homeowners at the Association's annual meeting.

The Association has filed claims against the developer (and related entities and individuals) of the attached rowhomes at Arbor Roses. ***This lawsuit covers the rowhomes only, and does not cover the single family homes. Homeowners of single family homes who believe their homes suffer from construction defects should consult their personal attorneys.*** The Association's lawsuit alleges that the developer and related entities were negligent in the development and construction of the project, and that they failed to adequately reserve money for repairs and maintenance of the buildings. The developer has brought a number of subcontractors into the case, and those subcontractors have, in turn, filed claims against their own subcontractors. While the parties continue to work on determining whether more defendants should be added, at this point we believe most of the parties responsible for the construction of the project are in the case.

The Association's case is scheduled for trial on November 6, 2012. Our firm is currently preparing your case, gathering facts and evidence to prove the liability of the developer and related entities. The case will go through a number of steps before it reaches trial. The most recent of these events occurred on November 8, 2010, when the parties conducted an expert mediation. Expert mediation was an opportunity for the Association's expert and the defense experts to meet and discuss defects observed at the buildings. The parties will also mediate the case on March 14, 2010. During mediation, the parties meet in one building, but in different rooms, to attempt to resolve the lawsuit short of trial. A mediator, an attorney with extensive experience with these kinds of cases, moves between the parties in an attempt to broker a settlement.

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In the meantime, we will continue to develop the case for trial by conducting discovery. During the discovery phase of the case, parties exchange documents and have the opportunity to take depositions. Depositions are an opportunity for the parties to ask fact witnesses questions about what happened during construction. Those witnesses testify under oath while a court reporter transcribes the deposition. Owners within the rowhomes can expect that the defendant will take their depositions at some point during discovery. Also, while it has not yet been scheduled, the discovery process will also likely include additional destructive testing to evaluate the condition of the building. Destructive testing involves removing portions of siding and other exterior cladding materials to see whether the waterproofing is functioning properly.

Gathering the key facts is important to any successful litigation. Rowhome owners can help us with this important task by providing our office with any information that has a bearing on this case. All information owners can provide about construction defects, including roof or window leaks, interior discoloration, and exterior discoloration and other signs of water intrusion, will be helpful. We also request owners tell us about any repairs owners have made to the exterior of their rowhomes, and provide us with any documents memorializing those repairs, including invoices and photographs. If you have any information requested above, please send it to Vial Fotheringham LLP, c/o Francesca Hurd, 7000 S.W. Varns St. Portland, OR 97132, or email it to fbh@vf-law.com. You can also contact Ms. Hurd by phone at 503-684-4111.

These are the most recent developments in the Association's case. Thank you for your attention to these matters. We will continue to conduct discovery and prepare the Association's case for trial.

Sincerely,

VIAL FOTHERINGHAM LLP



Ryan D Harris

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cc: Client