

# DISCLOSURE STATEMENT

## PORTLAND TOWER

### INTRODUCTION

THE MINNESOTA COMMON INTEREST OWNERSHIP ACT, MINNESOTA STATUTES CHAPTER 515B (THE "ACT") REQUIRES THAT CERTAIN DISCLOSURE INFORMATION BE FURNISHED BY THE DEVELOPER (THE "DECLARANT") TO PURCHASERS OF UNITS IN A "COMMON INTEREST COMMUNITY" LOCATED IN THE STATE OF MINNESOTA. THIS DISCLOSURE STATEMENT CONTAINS A VARIETY OF INFORMATION RELATING TO THE REAL ESTATE ON WHICH THE COMMUNITY IS LOCATED, THE OPERATION OF THE COMMUNITY AND THE DOCUMENTS GOVERNING THE COMMUNITY. THIS INFORMATION WILL HELP YOU UNDERSTAND YOUR RIGHTS IN CONNECTION WITH YOUR PURCHASE OF A UNIT IN PORTLAND TOWER. PLEASE REVIEW THIS INFORMATION CAREFULLY.

THIS DISCLOSURE STATEMENT IS FURNISHED PURSUANT TO THE REQUIREMENTS OF SECTION 515B.4-1021 OF THE ACT. THIS DISCLOSURE STATEMENT SHOULD NOT BE CONSTRUED AS LEGAL OR TAX ADVICE. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN LEGAL COUNSEL AND TAX COUNSEL CONCERNING THE LEGAL AND TAX IMPLICATIONS OF THE PURCHASE OF A UNIT.

THE REPRESENTATIONS AND STATEMENTS MADE IN THIS DISCLOSURE STATEMENT ARE CURRENT AS OF THE DATE OF DELIVERY OF THIS DISCLOSURE STATEMENT BY THE DECLARANT OR ITS AUTHORIZED REPRESENTATIVE TO THE PROSPECTIVE PURCHASER OF THE UNIT. THE REPRESENTATIONS ARE MADE TO THAT PURCHASER ONLY. REPRODUCTION OR DISTRIBUTION OF THIS DISCLOSURE STATEMENT BY PERSONS OTHER THAN DECLARANT OR ITS AUTHORIZED REPRESENTATIVE IS PROHIBITED.

### CANCELLATION RIGHTS UNDER SECTION 515B.4-106 OF THE ACT

A. AT ANY TIME WITHIN TEN DAYS AFTER THE RECEIPT OF A DISCLOSURE STATEMENT, A PURCHASER MAY CANCEL AN AGREEMENT TO PURCHASE A UNIT FROM THE DECLARANT; PROVIDED, THAT THE RIGHT TO CANCEL TERMINATES UPON THE PURCHASER'S VOLUNTARY ACCEPTANCE OF A CONVEYANCE OF THE UNIT.

B. IF A PURCHASER RECEIVES A DISCLOSURE STATEMENT MORE THAN TEN DAYS BEFORE SIGNING A PURCHASE AGREEMENT, THE PURCHASER MAY NOT CANCEL THE PURCHASE AGREEMENT UNDER SECTION 515B.4-106 OF THE ACT.

C. THE PURCHASE AGREEMENT MAY BE CANCELED UNDER SECTION 515B.4-106 OF THE ACT ONLY BY GIVING WRITTEN NOTICE TO THE DECLARANT BY HAND DELIVERING, OR MAILING A NOTICE OF CANCELLATION BY U.S. MAIL, POSTAGE PREPAID, TO THE DECLARANT'S ADDRESS SET FORTH IN THIS DISCLOSURE STATEMENT. CANCELLATION IS WITHOUT PENALTY AND ALL MONIES PAID BY THE PURCHASER BEFORE CANCELLATION SHALL BE PROMPTLY REFUNDED.

D. IF THE DECLARANT OBLIGATED TO DELIVER THE DISCLOSURE STATEMENT FAILS TO DELIVER A DISCLOSURE STATEMENT WHICH SUBSTANTIALLY COMPLIES WITH THE ACT TO A PURCHASER TO WHOM A UNIT IS CONVEYED, THE DECLARANT SHALL BE LIABLE TO THE PURCHASER IN THE AMOUNT OF ONE THOUSAND DOLLARS, IN ADDITION TO ANY DAMAGES OR OTHER AMOUNTS RECOVERABLE UNDER THE ACT OR OTHERWISE.

## DISCLOSURE INFORMATION

1. **Name and Number of Common Interest Community.** The name of the common interest community is Portland Tower and is a condominium (“Condominium”). The number of the common interest community is Hennepin County CIC No. 2028.

2. **The Declarant’s Name and Address and Special Declarant Rights.** The Declarant’s name and address is Portland Tower, LLC, 3200 Main Street, N.W., Suite 300, Coon Rapids, Minnesota 55448. Declarant has special declarant rights for the entire Condominium within the meaning of Section 515B.1-103(33b) of the Act for as long as it owns a Unit, or for such shorter period as may be specifically indicated. A complete description of the Declarant’s special declarant rights are in Section 15 of the Declaration and are provided below.

Declarant hereby reserves exclusive and unconditional authority to exercise the following special Declarant rights within the meaning of Section 515B.1-103(33b) of the Act for as long as it owns a Unit, or for such shorter period as may be specifically indicated:

A. **Complete Improvements.** To complete improvements indicated on the CIC plat, planned by the declarant consistent with the disclosure statement or authorized by the municipality in which the common interest community is located, and to have and use easements for itself and its employees, agents, and contractors through the common elements for such purposes.

B. **Subdivide or Convert Commercial Units.** To subdivide or combine Residential Units, or convert Units into common elements, limited common elements and/or Units pursuant to Section 515B.2-112. Subject to the maximum additional Residential Units allowed, Declarant shall have the right to subdivide or combine any and all Residential Units owned by Declarant. The total number of additional Residential Units that may be created by the subdivision or conversion is 5, resulting in a total number of Residential Units allowed in the Building of 118.

C. **Sales Facilities.** To maintain and use Units or common area for sales offices, management offices, signs advertising the common interest community, and models, and to have and use easements for itself and its employees, agents, and invitees through the common elements for such purposes.

D. **Signs.** To erect and maintain signs and other sales displays offering the Units for sale or lease, on any Unit owned by Declarant and on the Common Elements.

E. **Easements.** To have and use easements, for itself, its employees, contractors, representatives, agents and prospective purchasers through and over the Common Elements for the purpose of exercising its special Declarant rights.

F. **Control of Association.** To appoint and remove the members of the Board pursuant to Section 515B.3-103 of the Act, until the earliest of: (i) voluntary surrender of

control by Declarant, (ii) after conveyance to Owners other than Declarant of seventy-five percent of the total number of Units authorized to be included in the common interest community or (iii) the date three years following the date of the first conveyance of a Unit to an Owner other than Declarant. Notwithstanding the foregoing, the Owners other than Declarant shall have the right to nominate and elect not less than thirty-three and one-third percent of the directors at a meeting of the Owners which shall be held within sixty days following the conveyance by Declarant of fifty percent of the total number of Units authorized to be included in the common interest community.

G. Alternate Common Expense. To utilize an alternate common expense plan as provided in Section 515B.3-115(a)(2).

H. Common Element License. To grant common element licenses as provided in Section 515B.2-109(e).

I. Architectural Control. To review, and approve or disapprove, the exterior design, materials, size, site location, and other exterior features of the building and other structures, landscaping and other exterior improvements, located within the common interest community, and any modifications or alterations thereto.

3. **Number of Units/Type of Common Interest Community.** The Condominium is located in a portion of a new construction building and includes 113 residential units, one commercial unit and 198 parking units. Portland Tower is a condominium as defined in the Act.

4. **Description of the Common Interest Community.**

A. The construction of the building is a newly constructed single building containing both the Portland Tower project and the Sexton Parking project (“Building”). The Building has three below grade levels and seventeen above-ground levels. Portland Tower is located on levels one through seventeen with the caretaker unit, one commercial unit and common area on L1, parking on levels L2-L5 and residential units on levels L6-L17. The Sexton Parking is located in the parking ramp on the three below grade levels (P1-P3).

Portland Tower contains 113 residential units; one of which is designated as a caretaker unit, one commercial unit and 198 parking units (45 units on L-2, 49 units on L-3, 54 units on L-4 and 50 units on L-5) located at 740 Portland Avenue South in Minneapolis. Six of the parking units are tandem units with 4 tandem units on L4 and 2 tandem units on L5. The parking units on L2-L5 are not air conditioned.

Sexton Parking contains 142 parking units (42 units on P-1, 48 units on P-2 and 52 units on P-3). Fifteen of the parking units are tandem units with 5 tandem units on each level.

Buyers of units in the Condominium will receive one parking unit in the Building with their purchase of a residential unit and may select the parking on a first-come first-

serve basis. Thereafter, buyers must at all times own at least one parking unit. Buyers may have the option of purchasing an additional parking unit based on availability. In addition, the Building includes storage areas available for licensing to buyers. Each Residential Unit the Buyer purchases shall be designated a license for one (1) storage area. The initial license of the storage area shall be made by Declarant. Thereafter, the use and transfer of the storage area shall be administered by the Association in accordance with Section 3.4 of the Declaration. The Building site was previously a vacant lot at the time the Declarant purchased the property.

The projected date of occupancy for the Building is August of 2016.

B. The Building is a post-tension concrete structure, with exteriors of glass, metal and brick and EPDM roof. Buyers are encouraged to install appropriate window treatments to help mitigate heat gain as a result of all of the glass. Without window treatments, regulating the temperature of the unit may be difficult. The portion of the Building for Portland Tower will be served by two elevators and two stairwells (Stairwell A and B). The portion of the Building for Sexton Parking will be served by one elevator and two stairwells (Stairwell B and C). Within the Building, there is a common distribution system for Portland Tower for heating, ventilating, air conditioning, gas and sewer and water service, which serves the common area on L1, the residential units, the commercial unit and the parking units in levels L2-L5 parking. The Sexton Parking located on levels P1-P3 will have separate electrical, gas, heating, ventilating and water. Trash chutes and chutes designated for recyclable material exist on each residential floor (L6-L17) of the building.

C. The residential units in the Building will range in size from approximately 983 to approximately 1682 square feet with floor plans ranging from one to three bedrooms. All units are one-level designs. All units include at least one deck. Electricity is separately metered to each unit; heat, cooling, gas and sewer and water are commonly metered. No residential unit will be occupied prior to adding it to the common interest community, except for any model unit that is occupied and used for sales purposes.

D. There is a community room that includes a kitchen with a coat room and restrooms that are located in the common hallway. There is also an exercise room. The Declarant has not determined what specific equipment will be located in the exercise room. Both the community room and exercise room are located on the first floor of the Building. In addition, there is an outdoor patio located on the sixth floor of the Building. The outdoor patio will be seasonal use and will be restricted hours from 8:00 am to 10:00 pm. There are mechanical components of the Building located near the outdoor patio and residents will be able to hear noise. Cable television and internet service will be provided into each residential unit by a cable company.

E. The Building includes a designated caretaker's unit, an office, a mail room and a package room. The spaces are located on the first level. Staffing at the front desk is anticipated to be daytime hours Monday through Friday. There will not be overnight staffing.

F. The main entrance of the building is located off of Portland Avenue South. Portland Tower parking is accessible from a drive maintained by the Association also from Portland Avenue South. Access to the Portland Tower parking, stairwells and elevators will be restricted, and subject to control by an electronic access system.

A separate entrance off Portland Avenue South will be used by the owners of parking units in the Sexton Parking. Sexton Parking is accessible from a drive shared by Portland Tower's commercial parking, guest parking and trash contractors from 8<sup>th</sup> Street South.

G. The Condominium will have parking stalls, including 1 handicapped stall, all located in the first floor of the Building ("Commercial Parking"). The entrance will be accessible from 8<sup>th</sup> Street South. These parking stalls are restricted to use by contractors of declarant until all units have been sold and patrons of the commercial unit during business hours. Guests of Portland Tower owners may use the Commercial Parking after business hours with the consent of the owner of the commercial unit.

H. Portland Tower is located in a downtown neighborhood and adjacent to other businesses that may result in noise, including the helicopter pad of Hennepin County Medical Center. The Building is located at the intersection of 8<sup>th</sup> Street South and Portland Avenue South.

5. **Organization and Operation of the Association.** The Association will be organized as a Minnesota nonprofit corporation for the purpose of governing the Condominium and providing certain building maintenance services. Each owner will automatically become a member of the Association when he or she receives title to a unit, and will remain a member for so long as he or she owns the unit. Each unit is assigned a vote in the affairs of the Association and a share of common expenses and an undivided interest in common elements as set forth in Section 4.2 of the Declaration and 8.1 of the Bylaws.

A. The Association will be operated by a Board of Directors (the "Board"). The first Board will be appointed by the Declarant and will serve until the earliest of three events: (i) voluntary turnover of control by the Declarant, (ii) three years after the first unit sale closes or (iii) when seventy-five percent of the total units which Declarant is authorized to build are owned by unit owners other than the Declarant. When any one of those three events occurs, an Association meeting will be held within the following sixty days, at which time the owners will elect a Board of five directors. Thereafter, the directors will be elected by the owners. The officers of the Association will be elected annually by the Board.

B. The Association has the power to levy common expense assessments against the units to fund the Association's operating expenses. The initial annual assessment for the Association has been established based upon the Association's projected budget prepared for the Declarant. A copy of the budget is attached to this Disclosure Statement as Exhibit F. The Board has the authority to increase or decrease the annual assessment at its discretion

C. The Association will maintain the common elements and all improvements located thereon, including the exterior of the building and most structural components and common operating systems (see Section 8 of the Declaration). The owners are responsible for the maintenance and repair of their units.

D. Architectural standards are necessary in order to preserve the architectural style and appearance of the community. Therefore, no addition, modification, decoration, change or other improvement of any kind is permitted upon the common elements or limited common elements without the prior approval of the Board; except as provided in Section 7 of the Declaration and the proposed Rules and Regulations attached to this Disclosure Statement as Exhibit D.

E. The Association is required to carry blanket property insurance covering the insurable common elements and the units (but is not required to cover interior improvements or betterments to the units) and to pay the premium as a common expense of the Association. However, owners must carry their own insurance on interior furnishings, certain improvements to their units and other property not covered by the Association's insurance. See Section 15 of this Disclosure Statement and Section 9 of the Declaration for details.

F. The Association may add additional property to the community upon the approval of at least sixty-seven percent of the members, but only after the Declarant no longer owns a unit.

6. **Commencement and Completion Schedule.** Construction of the Building containing both Portland Tower and Sexton Parking began in April 2015 and is scheduled to be completed in August of 2016, subject to delays due to weather, labor and material shortages, and other conditions beyond Declarant's control.

7. **Items Not Reflected in Budget/Declarant's Alternative Assessment Programs.** There are no supplies or services not reflected in the Association's projected budget which the Declarant provides or will provide, nor expenses which the Declarant now pays and expects may become a common expense at any time in the future; **except** as follows:

A. The Board appointed by the Declarant may elect, as authorized by the Act, to delay levying a common expense assessment. In that case the Declarant will pay all expenses of the common interest community until an assessment is formally levied. At the time of the levy of the first assessment, all owners are obligated to begin paying the full share of assessments allocated to their units, except as described in Paragraph B below.

B. If a common Expense Assessment has been levied by the Association, the Declarant's Common Expense Assessment liability, and the corresponding assessment lien against the units owned by the Declarant, is limited to:

1. Paying when due an amount equal to the full share of the replacement reserves allocated to Units owned by the Declarant, as set forth in the Association Budget; and

2. Paying when due all accrued expenses of the Association in excess of the aggregate assessments payable with respect to Units owned by persons other than Declarant.

However, the common expense plan described above shall not affect Declarant's obligation to make up any operating deficit pursuant to 515B.3-1151(2)(iv) and will have no effect on the level of services or amenities anticipated by the Association budget.

The Declarant's reduced Assessment obligation shall apply to each Unit owned by Declarant at the time that any Assessment is levied against the Unit, and shall terminate upon termination of the Declarant control period unless terminated earlier pursuant to 515B.3-1151(2)(iii).

8. **Initial or Special Fees Due to the Declarant or Association.** There are no initial or special fees due from the purchaser to the Declarant or the Association at the time of closing of the purchase, **except** (i) the share of common expenses attributable to the unit in the month of closing if an assessment has been levied, (ii) an operating capital contribution equal to two monthly assessment installments, and (iii) the share of the Association's annual prepaid property insurance premium applicable to the unit. The share of common expenses will be used to fund the Association's budget. The operating capital contributions will be used by the Association to cover any unanticipated operating capital needs during its initial years of operation. The share of the insurance premium will be used to prepay the annual premiums on the insurance carried by the Association, if prepayment is required. All of the foregoing payments are calculated and allocated among the units based upon the common expense allocation rules set forth in Sections 4 and 6 of the Declaration. If Declarant pays the share of operating capital or prepaid property insurance for a unit, Declarant shall be reimbursed at the closing when it sells the unit.

9. **Description of Liens, Defects and Encumbrances.** There will be no liens, defects or encumbrances which will continue to affect title to the unit or any real property owned by the Association following the conveyance of the unit to the purchaser, other than the following, which are referred to in the Purchase Agreement for the unit:

- A. Building and zoning laws and ordinances, and state and federal regulations.
- B. Easements and restrictions of record which do not materially interfere with the improvements.
- C. Reservations of mineral rights in the state of Minnesota.
- D. The provisions of the Act.
- E. The Declaration of the Condominium, as amended (including the CIC plat).
- F. The exceptions contained in the standard ALTA Form title policy.

G. The lien for real estate taxes and installments of special assessments payable therewith in the years following the year of closing.

H. Any encumbrance created by the unit purchaser and affecting the unit.

I. All easements as outlined in Section 11 of the Declaration.

10. **Financing Offered or Arranged.** The Declarant is not offering financing in connection with the sale of units, but Declarant's sales agents have information regarding mortgage lenders available for prospective purchasers.

11. **Final Project Approvals.** No final project financing approvals have been applied for nor received as of the date of delivery of this Disclosure Statement from the Department of Housing and Urban Development (HUD), the Federal Home Loan Mortgage Corporation (FHLMC), the Federal Housing Administration (FHA) nor the Secretary of Veterans Affairs (VA).

Application has not been made for project approval from the Federal National Mortgage Association (FNMA)

12. **Limited Warranties/Disclaimers.**

A. Subject to the limitations described in this Section 12, the Declarant makes the warranties contained in Section 515B.4-112 of the Act. In general, that section provides that any statement of fact or promise made by the Declarant in connection with (i) the unit or related common element improvements, (ii) any model or (iii) any description of the real estate, creates an express warranty that the unit, the improvements or the real estate, will substantially conform to the statement of fact or promise made. However, the statement of fact or promise must have been reasonably relied upon by the purchaser in making the decision to buy the unit.

B. Subject to the limitations described in this Section 12, the Declarant makes the following warranties pursuant to Section 515B.4-113 of the Act.

(i) That a unit will be in at least as good condition at the earlier of the time of conveyance or delivery of possession to the purchaser as it was at the time of the execution of the Purchase Agreement.

(ii) That the unit and the common elements in the planned community are structurally suitable for the ordinary uses of real estate of its type.

(iii) That any improvements subject to use rights by the purchaser, made or contracted for by the Declarant or made by any person in contemplation of the creation of the common interest community, will be:

(1) Free from defective materials, and



(2) Constructed in accordance with applicable law, according to sound engineering and construction standards, and in a workmanlike manner.

(iv) That the residential use of the unit does not violate any applicable law at the earlier of the time of conveyance or delivery of possession of the unit.

Copies of Sections 515B.4-112 through 515B.4-115 of the Act, which describe the warranties in detail, are attached to this Disclosure Statement as part of Exhibit E.

C. The Declarant makes the warranties provided for under Minnesota Statutes Chapter 327A, as follows: That during the one year period from and after the Warranty Date defined in the statute, the unit shall be free from defects caused by faulty workmanship and defective materials due to non-compliance with building standards; during the two year period from and after the Warranty Date, the unit shall be free from defects caused by faulty installation of plumbing, electrical, heating and cooling systems; and during the ten year period from and after the Warranty Date, the unit shall be free from major construction defects. This Warranty applies only to the unit and not to the common elements or limited common elements. The "Warranty Date" is the earlier of the date the first purchaser first occupies the new unit or the date on which the first purchaser takes legal title to the new unit. Written claims under the warranty must be reported to Declarant within six months after discovery of the defect. The exact warranty coverage, exclusions and claims procedures are set forth in Minnesota Statutes Chapter 327A, a copy of which is attached to this Disclosure Statement.

D. The Declarant will pass on to purchasers any manufacturer's warranties with respect to appliances, machinery or equipment installed in the unit, but the Declarant does not assume any warranty obligations or other liabilities with respect to such items.

**It is important that each purchaser thoroughly review all warranty coverages, exclusions and claims procedures for each type of warranty. Please note the following qualifications and limitations:**

**Each Unit is Unique:** Except for the general construction specifications common to all units, each purchaser receives the design and construction features that he or she contracts for in the Purchase Agreement for the specific unit. No representation is made that decorating, fixture upgrades, finishes or furnishing items contained in any model, or in another unit sold to a certain purchaser, will be a part of the unit sold to any other purchaser.

**Limit on Warranties:** The foregoing limited warranties are in lieu of any other warranties, express or implied, as to materials, construction standards, use, habitability, fitness for purpose, or condition of the units or other property. Except for those limited warranties, all units are sold "As Is." All warranties are subject to the disclaimers contained in the Purchase Agreement or elsewhere in the disclosure materials or the model units. The Declarant is not liable for any consequential damages arising in connection with the sale or use of the unit, nor for any damage to the unit which is caused by the owners' or occupants' misuse or negligence. Any drawings or descriptions of the physical characteristics of the common interest community

or units are subject to any further disclaimers or qualifications set forth in the descriptive materials relating thereto, and to any changes required by lenders or governmental authorities.

**Time Limit on Claims:** The Act provides that any legal action for a breach of the warranties described in Sections 12A and 12B above must be commenced within six years after the cause of action accrues (arises), unless a shorter period of time is agreed upon in writing between the seller and purchaser. The Purchase Agreement provides that purchaser will agree to reduce the foregoing time period from six to two years and that a separate agreement, in recordable form, to that effect will be signed on the Date of Closing (See Agreement attached to this Disclosure Statement as Exhibit H).

13. **Judgments/Pending Lawsuits.** To the knowledge of the Declarant, or any affiliate of the Declarant, after reasonable inquiry, there are no unsatisfied judgments or lawsuits to which the Association is a party.

14. **Earnest Money Escrow.** Any earnest money paid by the purchaser in connection with the purchase of a unit will be held in escrow in a real estate broker's trust account until closing, or until the termination of the Purchase Agreement; **except** that payments which the purchaser has agreed in writing to allow the Declarant to use for construction costs, may be released from escrow to the Declarant and used for construction, at the Declarant's discretion, after the 10 day cancellation period described on page one of this Disclosure Statement. Earnest money will be returned to the purchaser, without interest, if the purchaser cancels the Purchase Agreement within the 10 day cancellation period. The name and address of the escrow agent for the project is Re/Max Advantage Plus, 13875 Hwy 13, Suite 100, Savage, MN 55378. The escrow agent is a licensed Minnesota real estate broker.

15. **Insurance Coverage.** The following is a description of the insurance coverage which will be provided by the Association for the benefit of the unit owners, effective as of the date of the first conveyance of a unit, unless indicated otherwise:

A. **Property Insurance:** This insurance is in the face amount of one hundred percent of the full insurable replacement cost of the entire property including both Portland Tower and Sexton Parking, but exclusive of land, excavations, footings and other items normally excluded from such property policies. The policy will have a deductible amount as determined by the Board. The policy covers risks of direct physical loss to the buildings resulting from causes such as fire and windstorms, but does not cover such things as surface water or ground water infiltration. The initial policy covers, among other things, ceiling or wall finishing materials, fixed floor coverings, cabinetry, finished millwork, electrical and plumbing fixtures inside the unit, built-in appliances, and other improvements or betterments to units as constructed by the Declarant; however, the Board has authority to reduce the coverage to exclude certain interior improvements and betterments, as described in the Act. The policy does not cover the owners' unit contents and personal property. Owners are strongly advised to consult a qualified insurance agent, provide a copy of the Declaration insurance requirements and policy to the agent, and obtain their own coverage for items not covered by the Association's policy.

B. **Public Liability Insurance:** This insurance is in the minimum face amount of \$1,000,000, and covers death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the common elements by any person. The policy may have a deductible amount as determined by the Board. The policy does not cover owners' personal liability for accidents or damage occurring within their units. Owners are strongly advised to consult a qualified insurance agent and obtain their own liability insurance coverage for accidents and damage occurring within their units.

C. **Fidelity Insurance:** This insurance insures against dishonest acts on the part of the officers, directors, managers, employees of the Association or other persons who are responsible for the handling of funds belonging to or administered by the Association. If required in connection with unit mortgage financing, the amount of fidelity coverage shall not be less than the greater of (i) the estimated total funds, including reserve funds, in the custody of the Association or the management agent at any given time during the term of each fidelity, bond, or (ii) a sum equal to three months' aggregate assessments on all units, plus reserve funds. This insurance policy will take effect upon the initial levy of assessments by the Association.

D. **Workers Compensation:** This insurance will be provided only as required under the Minnesota workers compensation laws.

E. **Other insurance** as may be deemed necessary from time to time by the Board.

It is recommended that prospective purchaser review Section 9 of the Declaration for a more complete explanation of the insurance coverage. In addition, it is recommended that the prospective purchaser's insurance agent contact the Association's insurance agent for a complete understanding of the policies and coverages. Copies of the insurance policies and endorsements will be made available for review upon request. Purchasers should also note that owners' title insurance policies are not provided by the Association.

16. **Fees for Use of Common Elements.** There are no current or expected fees or charges to be paid by owners for the use of the common elements or any other improvements or facilities related to the planned community, **except** (i) assessments for common expenses and (ii) charges for private use of the community room.

17. **Financial Arrangements for Completion of Improvements.** Financial arrangements have been made to complete all improvements that the Declarant is obligated to build.

18. **Real Estate Taxes.** There are no delinquent taxes on the unit being sold or on any real property owned by the Association. The status of real estate taxes and special assessments levied or due with respect to the unit is provided in Exhibit I to this Disclosure Statement.

19. **Substantial Completion of the Unit.** Each unit will be substantially completed at the time of conveyance of the unit to the purchaser.

20. **Copies of Documents/Agreements.** The documents required by the Act to be delivered to purchasers, and other relevant documents, are attached hereto as Exhibits A through J. Until the required documents are recorded, all documents are in proposed form. Changes may be made prior to recording by the Declarant without the purchaser's consent if the change does not materially and adversely affect the purchaser or the unit.

21. **Balance Sheet and Projected Budget.** A copy of the projected annual budget for the Association for the year (2016) in which the first unit is conveyed to a purchaser, and thereafter the current annual budget of the Association, is attached to this Disclosure Statement as Exhibit F. The common expense attributable to each category of expenses is estimated in the attached budget. The budget was prepared by the Association's management company, based upon the Declarant's good faith estimate as to future expenses assuming completion of the entire project. **However, cost increases in the future are difficult to predict, and costs such as insurance premiums and utility charges could significantly increase in coming years.**

The budget includes reserves for all of the components that are the responsibility of the Association. The reserves are not, however, allocated for the replacement of a specific component. The budget does not include any other reserves. The budget includes the projected common expense for each category of expenditures for the Association. The projected monthly common expense assessment for each unit is attached on the 2016 Dues Calculation. All maintenance, repairs, replacements of limited common elements at Portland Tower shall be assessed against the unit to which the limited common element is assigned.

When the owners of the units elect a Board that Board may change the budget for future years. A copy of the Association's most current balance sheet (prepared quarterly) is attached to this Disclosure Statement as Exhibit G.

22. **Management Agreement.** The Association has the authority to enter into a management agreement pursuant to Section 5.5 of the Declaration. The Association will contract with Gassen Property Management to provide full-service management for the Association. The services will include, among other services, attending Board and Association meetings, maintaining the Association's bank accounts, assisting with budgeting and financial matters, assisting with maintenance and other vendor contracting, and assisting with Association meetings and operations. The management fees are included in the projected budget. Upon turnover of control of the Association to the owners, the owner-elected Board may determine whether to continue with the same professional management or to select other professional management.

23. **Formaldehyde Disclosure.** In order to comply with state law, the following IMPORTANT HEALTH NOTICE REGARDING FORMALDEHYDE is provided:

SOME OF THE BUILDING MATERIALS USED IN THIS HOME (OR THESE BUILDING MATERIALS) EMIT FORMALDEHYDE. EYE, NOSE, AND THROAT IRRITATION, HEADACHE, NAUSEA AND A VARIETY OF ASTHMA-LIKE SYMPTOMS, INCLUDING SHORTNESS OF BREATH, HAVE BEEN REPORTED AS A RESULT OF FORMALDEHYDE EXPOSURE. ELDERLY PERSONS AND YOUNG CHILDREN, AS WELL AS ANYONE WITH A HISTORY OF ASTHMA, ALLERGIES, OR LUNG

PROBLEMS, MAY BE AT GREATER RISK. RESEARCH IS CONTINUING ON THE POSSIBLE LONG-TERM EFFECTS OF EXPOSURE TO FORMALDEHYDE.

REDUCED VENTILATION MAY ALLOW FORMALDEHYDE AND OTHER CONTAMINANTS TO ACCUMULATE IN THE INDOOR AIR. HIGH INDOOR TEMPERATURES AND HUMIDITY RAISE FORMALDEHYDE LEVELS. WHEN A HOME IS TO BE LOCATED IN AREAS SUBJECT TO EXTREME SUMMER TEMPERATURES, AN AIR-CONDITIONING SYSTEM CAN BE USED TO CONTROL INDOOR TEMPERATURE LEVELS. OTHER MEANS OF CONTROLLED MECHANICAL VENTILATION CAN BE USED TO REDUCE LEVELS OF FORMALDEHYDE AND OTHER INDOOR AIR CONTAMINANTS.

IF YOU HAVE ANY QUESTIONS REGARDING THE HEALTH EFFECTS OF FORMALDEHYDE, CONSULT YOUR DOCTOR OR LOCAL HEALTH DEPARTMENT.

24. **Statement as to Outstanding Notices.** There are no outstanding notices of uncured violations of building codes or municipal regulations with respect to the property.

## EXHIBITS

The following exhibits are included in this Disclosure Statement:

- A Declaration of the Portland Tower (exclusive of CIC Plat)
- B Bylaws of the Portland Tower Association (the “Association”)
- C Articles of Incorporation of the Association
- D Rules and Regulations of the Association
- E Warranties
- F Projected annual budget of the Association
- G Balance sheet of the Association (prepared quarterly)
- H Agreement Reducing Statute of Limitations
- I Status of Real Estate Taxes
- J Storage Area License

NOTE: All unrecorded documents are in proposed form.

## DISCLOSURE STATEMENT

### PORTLAND TOWER

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#### EXHIBITS

A	Declaration of the Portland Tower (exclusive of CIC Plat)
B	Bylaws of the Portland Tower Association (the "Association")
C	Articles of Incorporation of the Association
D	Rules and Regulations of the Association
E	Warranties
F	Projected annual budget of the Association
G	Balance sheet of the Association (prepared quarterly)
H	Agreement Reducing Statute of Limitations
I	Status of Real Estate Taxes
J	Storage Area License