

ALYESKA CHALETS CONDOMINIUM

CONDITION REPORT & MAINTENANCE PLAN

PUBLIC OFFERING STATEMENT

FOR

ALYESKA CHALETS CONDOMINIUM

Chapter 34.08 of the Alaska Statutes, the Common Interest Ownership Act (referred to hereafter as "the Act"), requires certain information to be included in a public offering statement for a common interest community such as Alyeska Chalets Condominium.

Section 34.08.530 of the Alaska Statutes requires that the following information be provided.

1. A.S. 34.08.530(a)(1) - Names and addresses.

Declarant: JLR Investments
P.O. Box 202845
Anchorage, Alaska 99520

Association: Alyeska Chalets Condominium
Association
c/o JLR Investments
P.O. Box 202845
Anchorage, Alaska 99520

Note: The Association was listed in good standing with the Alaska Department of Commerce and Economic Development at the time this Public Offering Statement was prepared. To remain in good standing, a biennial report from the Association must be filed in June 1996.

Community: Alyeska Chalets is a condominium.

2. A.S. 34.08.530(a)(2) - Description of the common interest community.

Alyeska Chalets Condominium is located on Lot 32, U.S. Survey Number 3044, in Girdwood, Alaska, on the north side of the Alyeska Highway. The condominium consists of 15 existing cabins served by public sewer and a community water system. The Units to be sold

each include a cabin and five feet of horizontal airspace around the cabin. Each Unit has a deck and two parking spaces which are defined as Limited Common Elements for the exclusive use of the Unit Owner. The floors, foundations, water and sewer pipes, electric and telephone wires, and the ground surface beneath the Units are also Limited Common Elements for the exclusive use of the Unit Owners. The Unit includes 35 feet of vertical airspace above the finished floor elevation shown for each unit on the survey map and floor plans filed under Plat No. 94-114.

YOU SHOULD READ THE DECLARATION DESCRIPTION OF THE UNITS, COMMON ELEMENTS, LIMITED COMMON ELEMENTS, AND UNIT OWNER RESPONSIBILITY FOR MAINTENANCE OF LIMITED COMMON ELEMENTS VERY CAREFULLY.

3. A.S. 34.08.530(a)(3) - Number of Units.

Alyeska Chalets Condominium consists of 15 Units.

4. A.S. 34.08.530(a)(4) - Documents.

The following documents are attached to this public offering statement and are incorporated by reference:

a. Declaration.

The Declaration for Alyeska Chalets Condominium, was recorded on October 19, 1994, in Book 2718, at Page 599, Anchorage Recording District, and is attached hereto as Exhibit "A".

The Act requires that the public offering statement include a brief narrative description of the significant features of the Declaration. Since all of the statements in the Declaration are important, this description is only summary in nature and must not be relied upon in place of a careful reading of the actual language of the Declaration. The Declaration describes the Unit you are buying, the boundaries, and the relationship of your Unit to the rest of the common interest community and the community's members. The Declaration also describes the whole common interest community and the activities that are permitted, mandated, or prohibited.

The common interest community is created pursuant to state statute and the Declaration frequently quotes sections of the Act. The power of the homeowners association is derived from the Act, the Alaska Non-Profit Corporations Act, and from the Declaration which has been recorded in the Anchorage Recording District.

The minimum contents of a Declaration are specified by AS 34.08.130(a), and those are contained in the Declaration. Certain terms, such as Unit, are defined at the beginning of the Declaration and are capitalized throughout the Declaration to indicate they have a specific meaning for purposes of the Declaration.

Since the Declaration requires a vote of the Unit Owners for amendment, relatively permanent covenants or promises are contained in it. Some sections of the Declaration repeat state statute, establish minimum mandated activities required for sound management, or state requirements of financial institutions to make your unit mortgageable.

The Declaration contains a table of contents at the beginning of the Declaration to help you locate particular provisions. Attachments to the Declaration show the recorded easements and licenses, the table of interests, the development plan, and additional use restrictions.

Among the significant features you should examine in the Declaration are the description of the common interest community and the Units, the provisions pertaining to maintenance and assessments, the section on Declarant's rights, and the statement of powers and duties of the Association. **YOU MUST REFER TO THE DECLARATION FOR AN ACCURATE STATEMENT OF ALL OF THE SIGNIFICANT FEATURES.**

b. Articles of incorporation, bylaws and rules.

The Articles of Incorporation filed with the State of Alaska Department of Commerce and Economic Development are attached hereto as Exhibit "B".

The Bylaws of the Association are attached hereto as Exhibit "C". There are no adopted rules or regulations of the Association at this time.

c. Contracts and leases to be signed by the purchasers.

There are no contracts or leases to be signed by purchasers at closing.

d. Contracts and leases subject to cancellation.

Under the Act, certain contracts or leases entered into by the Association while the declarant still controls the Association may be cancelled as specified in AS 34.08.360. On the date of this public offering statement, the only contract in the Association's name is the insurance contract discussed below.

Declarant makes no representations about contracts or leases that may be in effect at the time Declarant transfers control over the Association to the Unit Owners.

Declarant draws attention, however, to the position of the Unit Owners as successors in interest to a recorded Private Utility Water Service Agreement, a copy of which is attached hereto as Exhibit "D". Exhibit "D" also includes an illustration showing the location of the water well, the waterline easement and the Property. The Water Service Agreement contains certain contract provisions on which the supply of potable water to the Project depends. **YOU SHOULD READ THE PROVISIONS OF THE PRIVATE UTILITY WATER SERVICE AGREEMENT VERY CAREFULLY.**

5. A.S. 34.08.530(a)(5) - Adopted Budget For Association.

The adopted budget for the Association for the fiscal year beginning November 1, 1994, is attached hereto as Exhibit "E". The budget was prepared by Leonard Hyde and is based on 15 Units paying assessments. The budget includes the following:

- a. the projected common expense assessment by category of expenditures for the Association on a monthly and annual basis; and
- b. the monthly common expense assessment for each unit.

The Declaration provides for equal common expense liability for services provided to all of the Units, but any services provided by the Association to only a few Units will be paid for only by those Units. As of the date of this public offering statement, the monthly common expense assessment per unit is \$118. The budget is based on the prior experience of the Declarant as the owner of this property as a rental project. Actual experience administering the property as a condominium project, along with the variability of weather conditions and unanticipated water supply expenses could require a revision in this budget.

6. A.S. 34.08.530(a)(6) - Unbudgeted services of Declarant.

The Declarant provides no services now that are not included in the budget of the Association attached hereto as Exhibit "E". The common expenses attributable to provision of potable water, payment for public sewer service, and driveway clearing and maintenance are included in the budget.

7. A.S. 34.08.530(a)(7) - Initial or special fees due from purchaser at closing.

At closing, purchasers will be required to make a contribution to the Association's working capital equal to two month's monthly assessments.

8. A.S. 34.08.530(a)(8) - Liens, defects or encumbrances affecting title to the common interest community.

Attached to the Declaration as Exhibit "3" is a list of easements and licenses burdening the property in the common interest community. The Units will be conveyed to Unit Owners free of any pre-existing deeds of trust. An Anchorage Water and Waste Water sewer assessment levied against the property for construction of the public sewer system will be paid off with the proceeds of the sale of the first Unit. Certain units are effected by easements. YOU SHOULD EXAMINE THE SURVEY MAP AND FLOOR PLANS CAREFULLY. THE PARTICULAR UNITS EFFECTED ARE LISTED IN SECTION 19 BELOW.

9. A.S. 34.08.530(a)(9) - Financing offered or arranged by Declarant.

Financing may be offered by the Declarant depending on the credit worthiness of the purchaser.

10. A.S. 34.08.530(a)10 - Warranties.

Statutory warranties provided by the Act are as follows:

A. Express warranties of quality - A.S. 34.08.630.

(a) An express warranty made by a seller to a purchaser of a unit, if relied upon by the purchaser, is created as follows:

(1) any affirmation of fact or promise that relates to the unit, its use, or rights appurtenant to the unit, area improvements to the common interest community that would directly benefit the unit, or the right to use or have the benefit of facilities not located in the common interest community, creates an express warranty that the unit and related rights and uses will conform to the affirmation or promise;

(2) a model or description of the physical characteristics of the common interest community, including plans and specifications of or for improvements, creates an express warranty that the common

interest community will conform to the model or description;

(3) a description of the quantity or extent of the real estate comprising the common interest community, including plats of surveys, creates an express warranty that the common interest community will conform to the description, subject to customary tolerances; and

(4) a provision that a purchaser may put a unit only to a specified use is an express warranty that the specified use is lawful.

(b) Formal words such as "warranty" or "guarantee" and the specific intention to make a warranty are not necessary to create an express warranty of quality, but a statement purporting to be merely an opinion or commendation of the real estate or its value does not create a warranty.

(c) A conveyance of a unit transfers to the purchaser each express warranty of quality made by a previous seller.

B. Implied warranties of quality - A.S. 34.08.640.

(a) A Declarant and a dealer warrant that a unit will be in at least as good condition at the earlier of the time of the conveyance or delivery of possession as it was at the time of contracting, reasonable wear and tear excepted.

(b) A Declarant and a dealer impliedly warrant that a unit and the common elements in the common interest community are suitable for the ordinary uses of real estate of its type and that any improvements made or contracted for by the Declarant or dealer, or made by any person before 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 skillful and workmanlike manner.

(c) A Declarant and a dealer warrant to a purchaser of a unit that may be used for residential use that an existing use, continuation of which is contemplated by the parties, does not violate applicable law at the earlier of the time of conveyance or delivery of possession.

(d) Warranties imposed by this section may be excluded or modified under A.S. 34.08.650.

(e) For purposes of this section, improvements made or contracted for by an affiliate of a Declarant are made or contracted for by the Declarant.

(f) A conveyance of a unit transfers to the purchaser all of the Declarant's implied warranties of quality.

C. Exclusion or modification of implied warranties of quality - A.S. 34.08.650.

(a) Except as limited by (b) of this section with respect to a purchaser of a unit that may be used for residential use, implied warranties of quality: (1) may be excluded or modified by written agreement of the parties; and (2) are excluded by a written expression of disclaimer such as "as is", "with all faults", or other language that in common understanding calls the attention of the purchaser to the exclusion of warranties.

(b) With respect to a purchaser of a unit that may be occupied for residential use, a general disclaimer of implied warranties of quality is not effective, but a Declarant and a dealer may disclaim liability in an instrument signed by the purchaser for a specified defect or specified failure to comply with applicable law, if the defect or failure entered into and became a part of the basis of the bargain.

D. Statute of limitations for warranties - A.S. 34.08.660.

(a) A judicial proceeding for breach of an obligation arising under A.S. 34.08.650 or this section must be commenced within six (6) years after the cause of action accrues but the parties may agree to reduce the period of limitation to not less than two (2) years. If the unit may be occupied for residential use, an agreement to reduce the period of limitation must be evidenced by a separate instrument executed by the purchaser.

(b) Subject to (c) of this section, a cause of action for breach of warranty of quality, regardless of the purchaser's lack of knowledge of the breach, accrues:

- (1) as to a unit, at the time the purchaser to whom the warranty is first made enters into possession if a possessory interest was conveyed or at the time of acceptance of the instrument of conveyance if a nonpossessory interest was conveyed; and
- (2) as to each common element, at the time the common element is completed or, if later, as to (A) a common element that may be added to the common interest community or a portion of the common interest community, at the time the first unit is conveyed to a bona fide purchaser; or (B) a common element within any other portion of the common interest community, at the time the first unit is conveyed to a bona fide purchaser.

(c) If a warranty of quality explicitly extends to future performance or duration of an improvement or component of the common interest community, the cause of action accrues at the time the breach is discovered or at the end of the warranty period, whichever is earlier.

E. Declarant's limitations on warranties.

ALL PURCHASERS OF UNITS WILL SIGN A LIMITATION OF WARRANTIES AGREEMENT, A COPY OF WHICH IS ATTACHED HERETO AS EXHIBIT "F", AT THE TIME THE EARNEST MONEY AGREEMENT IS EXECUTED.

11. A.S. 34.08.530(a)(11) - Public offering statement; cancellation of contract for purchase.

A.S. 34.08.530(a)(11) requires that a public offering statement contain the following statements:

(A) within fifteen (15) days after receipt of a public offering statement a purchaser, before conveyance, may cancel any contract for purchase of a unit from a Declarant;

(B) if a Declarant fails to provide a public offering statement to a purchaser before conveying a unit, the purchaser may recover from the Declarant ten percent (10%) of the sales price of the unit plus ten percent (10%) of the share, proportionate to the common expense liability of the unit, of any indebtedness of the Association secured by security interests encumbering the common interest community; and

(C) a purchaser who receives the public offering statement more than fifteen (15) days before signing a contract cannot cancel the contract.

12. A.S. 34.08.530(a)(12) - Unsatisfied judgments and pending suits.

There are no unsatisfied judgments or pending suits against the Association of which Declarant is aware. A statement to this effect from the Association is attached hereto as Exhibit "G".

13. A.S. 34.08.530(a)(13) - Escrow of deposits.

A deposit made in connection with the purchase of a unit will be held in an escrow account until closing. Deposits made in connection with the purchase of a unit will be returned to the purchaser if the purchaser cancels the contract under A.S. 34.08.580. The purchaser's copy of the earnest money agreement will contain the name and address of the escrow agent.

14. A.S. 34.08.530(a)(14) - Restrictions and restraints.

Restrictions on use, occupancy, and alienation of Units are found in Article VII and Exhibit 4 of the Declaration. Use of the Units is also subject to the bylaws and rules of the Association but, at this time, there are no use or occupancy restrictions other than those contained in the Declaration.

All Units in Alyeska Chalets Condominium are restricted to residential use as single family residences, except that home professional pursuits not requiring regular visits from the public or unreasonable levels of mail, shipping, trash or storage are permitted in connection with residential use of a Unit. No signs indicating commercial or professional uses may be displayed outside a Unit. Declarant, however, has reserved rights to maintain model units and sales/maintenance offices within the common interest community. Occupancy of Units is restricted to four persons.

Under Section 8.2 of the Declaration, alienation of units is restricted so that units may not be conveyed pursuant to a time-sharing plan. Units may also not be rented or leased for less than 30 days. All leases and rental agreements are required to be in writing. There are no other restrictions on alienation of a Unit or on the amount for which a Unit may be sold or on the amount that may be received by a Unit owner on sale, condemnation, or casualty loss to the Unit or to the common interest community, or on termination of the common interest community.

15. A.S. 34.08.530(a)(15) - Insurance coverage.

The Declaration provides that the Association will maintain property and liability insurance coverage on the common elements and the structures within the Units in Section 18.2 of the Declaration. Unit Owners should consult their insurance agent to determine any additional insurance needs they may have. Evidence of the Association's insurance coverage is attached hereto as Exhibit "H".

16. A.S. 34.08.530(a)(16) - Fees for use of Common Elements.

The Association has not levied any fees at this time for use of the Common Elements, however, the annual assessment includes a line item for water service, part of which pays for the water supply system which is part of the Common Elements.

17. A.S. 34.08.530(a)(17) - Financial arrangements for improvements.

The Declarant is not obligated to make any improvements and makes no representations about improvements to be made to the common interest community.

18. A.S. 34.08.530(a)(18) - Zoning and land use requirements.

The property is zoned R-11. The cabins which are part of Alyeska Chalets Condominium were constructed under the provisions of Municipality of Anchorage Planning and Zoning Commission Resolution No. 49-83 which granted a conditional use permit for a density of approximately 7 units per acre. The zoning and land use requirements governing conditional uses and the R-11 zone are contained in Title 21 of the Anchorage Municipal Code. **BEFORE ANY MODIFICATIONS ARE MADE TO UNITS OR THE COMMON ELEMENTS, UNIT OWNERS AND THE ASSOCIATION SHOULD CONSULT THE ANCHORAGE PLANNING DEPARTMENT TO DETERMINE IF ANY CONDITIONS OF THE CONDITIONAL USE PERMIT ARE APPLICABLE TO THE PROPOSED MODIFICATIONS.**

19. A.S. 34.08.530(a)(19) - Unusual and material circumstances.

This condominium is unusual in that it is a conversion of existing rental cabins to condominium Units. The condominium Unit consists of a defined airspace, shown on the development plan, that contains within it an existing cabin. Not all of the cabin, however, is defined as within the Unit. The floor, foundation, deck, yard area and ground beneath the cabin, as well as the water, sewer, electric and telephone pipes or wires in the ground under

the Unit, are defined as Limited Common Elements for the exclusive use of the Unit Owners to whose Units they are appurtenant.

This condominium is also unusual in that it is served by a community water system. Under a Private Utility Water Supply Agreement, water produced in a well on Lot 28A, U.S. Survey Number 3043, will be provided for a fee to Lot 32. The water is transported via a water line easement across Tract A, which is owned by the Municipality of Anchorage, from Lot 28A to Lot 32.

Rights under the Private Utility Water Supply Agreement were assigned to Declarant by a document recorded in Book 2714, at Page 55, records of the Anchorage Recording District. Rights under the Water Line Easement, permitting the delivery of water across Tract A, were assigned to Declarant by a document recorded in Book 2714, at Page 50, records of the Anchorage Recording District. And rights to the water supply system by which the potable water is produced and supplied to the Units on Lot 32 were conveyed to Declarant by a Bill of Sale recorded in Book 2714, at Page 60, records of the Anchorage Recording District. All of Declarant's water system and supply rights so acquired were dedicated to the Unit Owners, in an undivided interest, in Section 6.5 of the Declaration. **IT WILL BE THE RESPONSIBILITY OF THE UNIT OWNERS ASSOCIATION TO ADMINISTER AND MAINTAIN THE COMMUNITY WATER SUPPLY SYSTEM.**

The Private Utility Water Supply Agreement requires that Lot 32 hook up to public water within one year after it becomes reasonably available. Declarant makes no representation about the cost of conversion to public water, if and when public water becomes available.

The Water Supply Agreement (attached hereto as Exhibit "D") also requires the sharing of maintenance costs for the water pump on Lot 28A, payment for monthly testing of water samples, and a monthly fee for the water obtained from Lot 28A. The present monthly fee is \$150. The monthly fee is subject to adjustment in five-year intervals. Declarant will provide the actual annual costs of operating the water supply system during the period of Declarant's ownership upon request.

It should be noted that only one of the two owners of Lot 28A signed the Private Utility Water Supply Agreement and that it was not consented to by a pre-existing mortgagee. This raises the possibility that an action by the nonsigning owner or the mortgagee could nullify the Private Utility Water Supply Agreement. Declarant makes no representation about the likelihood of this happening.

It is also material that certain portions of certain Units encroach into easements on Lot 32. The encroachments are shown on the as-built survey of the property filed under Plat No. 94-114 and pertain to the following Units:

- Unit 1 - a portion of the deck, yard area, and the parking spaces
- Unit 4 - a tiny corner of the yard area
- Unit 5 - a corner of the yard area
- Unit 7 - a tiny corner of the cabin, a portion of the yard area, and a small corner of the parking spaces
- Unit 8 - a tiny corner of the yard area
- Unit 13 - a tiny corner of one parking space

Chugach Electric Association also holds a blanket easement over all of Lot 32. The Book and Page numbers of that easement are listed in Exhibit 3 to the Declaration. **YOU SHOULD EXAMINE THE AS-BUILT SURVEY OF THE PROPERTY VERY CAREFULLY.**

THIS IS A CONVERSION PROJECT. AS 34.08.560 requires that public offering statements for common interest communities containing conversion property provide the following information.

1. A.S. 34.08.560(a)(1) - Declarant's statement of present property condition.

Declarant hired a professional engineer to prepare a report describing the present condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the property. That report is attached hereto as Exhibit "I" and speaks for itself. **YOU SHOULD READ THE ATTACHED CONDITION REPORT AND MAINTENANCE PLAN VERY CAREFULLY.** Declarant makes no representations beyond those contained in the Condition Report.

2. A.S. 34.08.560(a)(2) - Useful life of structural components and mechanical and electrical installations.

The Condition Report attached hereto as Exhibit "I" does not indicate the remaining useful life of any component or installation and Declarant makes no representations thereon. Attached to the Condition Report, however, is a Maintenance Plan. The Maintenance Plan makes maintenance suggestions by Unit on page 2. **YOU SHOULD REVIEW THE MAINTENANCE PLAN VERY CAREFULLY.** The Units are being sold with their existing used appliances. Declarant makes no representations about the remaining useful life of the appliances sold with the Units.

3. A.S. 34.08.560.(a)(3) - List of uncured violations.

To the best of Declarant's knowledge, there are no outstanding notices of uncured building code violations or violations of other regulations. Girdwood is outside of the municipal building code service area, so no building permits are required. Land use permits are required, however, for certain activities. Inquiries about land use permits should be directed to the Building Safety Division of the Department of Public Works.

Dated this 18th day of October, 1994.

DECLARANT: JLR INVESTMENTS

By: Leonard Hyde, General Partner

10/20/94