

Date: 2/19/2015

To Whom It May Concern:

Statement of Construction Defects at Silver Sage Village

This letter gives a general overview of the situation at Silver Sage Village relative to a lawsuit and the defects that were identified as a result of that suit.

This letter will address the following:

- the reasons for the lawsuit,
- the outcome of a June 2012 jury trial and subsequent settlements,
- current status of the fire suppression system,
- other construction defects

After living in Silver Sage Village for about a year, several construction defect problems began to come to light. There were leaks in the fire suppression system in Building One, concrete spalling was occurring on a large outdoor deck area, and repeated repairs to the elevator were needed. An effort was made to negotiate with the developer to repair these items, but we were unable to reach agreement. SSV chose a comprehensive approach to fully and promptly identify and resolve any construction defects existing in the property.

The lawsuit went to court in June, 2012, the jury ruled in favor of Silver Sage Village, and we subsequently settled with the defense.

During the lawsuit, serious defects affecting Building One's fire suppression system were documented. At this time, prior to making repairs, Building One, as well as Buildings Two and Three, are safe to inhabit. The actual damages that have occurred in Building One are due to the overhead fire suppression system leaking water into the living areas.

Until the replacement of the fire suppression system occurs, any damage and repairs from leaks will be covered by the HOA's insurance, subject to the HOA's deductible. Individual homeowners are required to have condo insurance and their insurance companies will cover the cost of any damage to their property, again, subject to any deductibles. Our HOA and individual policies cover damages resulting from construction defects but do not cover the defects themselves. The HOA has formulated a plan for addressing the defects that were identified during the course of the legal proceedings, and has repaired many of them, and is currently getting bids for the remaining repairs. The construction defects that were addressed during the trial include:

1. Fire Suppression System in Building 1
2. Civil engineering issues, i.e. drainage in several outside places
3. The concrete upper decks on Buildings 1
4. Window flashing in Building 1, i.e. possible removal of windows and reinstallation
5. Structural issues in many of the Buildings, i.e. deficient lateral force reduction system - no provision for wind loads, aspect ratios incorrect, etc.
6. North deck railings on Building 1, railings not sound, needs new flashing, etc.
7. Drainage off of concrete decks Buildings 2 and 3, i.e. fix siding where damaged, flash correctly

The Board of Directors has created a team of residents to address the fire suppression system and the concrete deck on Building 1. These are the two most costly repairs. This team is in the process of hiring a general contractor to perform and oversee the needed repairs. Other issues have been dealt with, have been determined not to be an issue, or are awaiting their turn to be addressed. SSV has available the settlement funds from the lawsuit that are to be used to address the repairs. In addition, SSV has a well-funded reserve plan and some of the issues may be dealt with from those accumulated funds. Due to diligent efforts we have minimized, though not eliminated, the likelihood of need for a special assessment. At this time the Board does not believe that there are any construction defect issues which need to be addressed immediately, and is proceeding in a planned and thoughtful manner.

Silver Sage is sound financially and we have every expectation that it will remain so. Cohesiveness of the community during this litigation helped us work well together to resolve the issues related to the litigation and the Board is confident that the community will be able to find viable financial solutions to address the construction issues at hand.

The Board believes that it will be necessary to displace the owners/occupiers of the units in Building 1 when the fire suppression system is repaired. Based on the experience of the two units where the fire suppression system has already been repaired, the displacement may be for around 5 weeks for each unit. We are seeking bids that will minimize this displacement period. While many residents plan to stay with family or friends during this period, rooms in Common House will be available without charge for use of any residents who need them. The community will continue discussions of how to best accommodate this displacement once a contractor has been selected and a schedule prepared. The date and length of the displacement is unknown at this time, although we are aiming for this summer. An additional displacement may be required for units on the upper floor of Building 1 when repairs are made to the concrete deck, also dependent on the selected contractor's plan.

There are three binders of information regarding the lawsuit and the defects. Qualified, prospective buyers are welcome to review these for detailed information. The viewing can be arranged through Terry Larson, the realtor who is handling the sale of 1642 Yellow Pine Ave.

Sincerely,

Wahhab Baldwin
Lead, Defect Repair Team and
Member, Silver Sage Village Community Association Inc.
Board of Directors