

THE CENTENNIAL CONDOMINIUM
COMPILATION OF LEGAL DOCUMENTS

World Class Housing, Inc. (the "Declarant") has prepared this Compilation of Legal Documents for your review as a potential purchaser of a unit in The Centennial Condominium (the "Condominium"). The documents set forth in this Compilation describe the Condominium and define the rights and obligations which you will have as a condominium owner. You should read them carefully. You may also wish to have them reviewed by your attorney.

The documents contained in this Compilation include (i) the Declaration of the Condominium, (ii) the Articles of Incorporation of The Centennial Owners' Association (the "Association"), (iii) the Bylaws of the Association, (iv) the Condominium Purchase Agreement which you will be required to sign, and (v) the Certificates of Limited Warranty which will be issued by the Declarant to the Association and each unit owner. You should note that the Declarant reserves the right to make minor changes to these documents prior to their recordation, adoption, or execution, as appropriate, provided that such changes do not have a material adverse effect on the interests of contract purchasers. Such changes in the Declaration and Articles of Incorporation may be made prior to the recordation of such instruments, changes in the Bylaws prior to the adoption thereof, changes in the Condominium Purchase Agreement prior to each purchaser's execution thereof, and changes in the Certificates of Limited Warranty prior to the first conveyance of a unit in the Condominium. (The Declaration and Articles of Incorporation will be recorded and the Bylaws adopted no later than the Declarant's first conveyance of a unit in the Condominium.) Copies of all such changes will be promptly given to all contract purchasers.

A brief description of each of the above-referenced documents is set out below, together with general descriptions of the condominium form of ownership and of certain special restrictions on sale and use of units

in The Centennial Condominium. It should be emphasized, however, that reading these descriptions is no substitute for a careful review of the documents themselves.

I. THE CONDOMINIUM CONCEPT

The term "condominium" refers to a form of property ownership which, although used for centuries in Europe, became widespread in the United States only in the late 1960's. Condominium ownership, in effect, combines two older forms of ownership. As in the case of the owner of a detached single-family home, the condominium unit owner is the sole owner of fee simple title to his home, that portion of the building which comprises his living quarters called a "unit." In addition, the condominium unit owner is one of many mutual owners (legally speaking, "tenants in common") of common facilities which service his/her and other living quarters: and of common areas which the unit owner may use and enjoy along with owners of other units. The property owned in common is called the "common elements" with each unit owner's share of ownership set forth in the "Declaration" which creates the condominium.

The ownership share in the common elements is an "undivided" interest, which means that a unit's common element interest cannot be sold separately from the unit. No unit owner owns all of a particular common element; rather, all unit owners own an undivided interest in all common elements. In this Condominium, the undivided interest is expressed as a percentage and is known as a "percentage interest." The ownership of a percentage interest gives the unit owner the right to participate in the control of all the common elements (subject to the Declarant's reserved rights of control as set forth in the condominium instruments), and imposes upon the unit owner the obligation to pay a defined share of the expenses of operating and maintaining all of the common elements. It is the ownership of an undivided interest in the common elements which distinguishes condominium ownership from other forms of property ownership.

The common elements are all portions of the condominium which are not included within the units. The common elements include the land, those portions of the building structure which support, enclose, or service the units, the parking facilities, grounds, exterior stairways, and other community facilities.

Certain common elements are designated as "limited common elements." Like all common elements, each limited common element is owned by all of the unit owners in proportion to their respective percentage interests. What makes a limited common element "limited" is that it is reserved for the exclusive use of one or more (but less than all) of the unit owners, to the exclusion of the rest of the unit owners. Such limited common elements include entry decks and storage spaces assigned to particular units.

II. SUMMARY OF LEGAL DOCUMENTS

A. The Declaration (Attachment 1). The essential function of the Declaration is to create the Condominium and to describe the various property rights within it. The Declaration will be recorded in the land records of Pitkin County, Colorado and, when so recorded, will establish the boundaries of all units in the Condominium and assign the percentage interest in the common elements appurtenant to each unit. (Such percentage interest, in turn, defines the extent of each unit's liabilities for the common expenses of the Condominium as well as the unit's voting power in the Association.) In addition, the Declaration establishes special property rights within the Condominium, such as easements reserved to the Declarant, the Association, or the unit owners and limited common elements reserved for the benefit of one or more (but less than all) unit owners.

By the terms of the Declaration, the units in the Condominium are restricted to residential use, except that the Declarant may use units owned or leased by the Declarant as models, management offices, or sales offices. The units are also subject to sale and use restrictions imposed by the Board of Commissioners of the Housing Authority of the City of Aspen and Pitkin County ("Aspen/Pitkin Housing Authority") pursuant to that Authority's Permanent Moderate Housing Program. Although the Declarant intends to sell all the units, the Declaration reserves for the Declarant the right to rent, under guidelines of the Aspen/Pitkin Housing Authority, any units not sold.

Other principal features of the Declaration include the definitions of units, common elements, and limited common elements, and the assignment of a percentage interest in the common elements to each unit. Each of these matters is further described below.

1. Units.

Generally speaking, each unit will consist of the space bounded by the walls, floor, and ceiling of the unit. The unit will also include any floor covering (carpet, tile, etc.); wallboard and wall covering; exterior doors and windows; any portions of heating apparatus which serve only that unit; and any portion of the plumbing, electrical, mechanical, and heating systems serving only that unit.

2. Common Elements.

The Condominium consists of the common elements and the units. The common elements constitute all of the Condominium other than the units. The following items are the major common elements of the Condominium: all of the land; the supporting structure of the buildings; exterior walls; walls separating units; portions of plumbing, electrical, mechanical, and heating systems serving more than one unit; exterior stairs; and storage space. Also included in the common elements will be any recreational facilities that may be constructed by the Declarant or the Association.

3. Limited Common Elements.

The principal limited common elements of the Condominium are the entry decks. The limited common elements may also include storage spaces reserved for the exclusive use of designated unit owners.

4. Percentage Interest.

As indicated above, each unit has an appurtenant percentage interest in the common elements. The percentage interest assigned to each unit is based upon the size (square feet of floor space) of the unit. The percentage interest is calculated by dividing the number of square feet of floor area of the unit by the number of square feet of floor area of all units in the Condominium. The percentage interest appertaining to each unit will be listed in Exhibit C to the Declaration.

If the Condominium expands by merger or consolidation with any adjacent condominium, the percentage interest of all units will be recalculated on the basis of the increased aggregate floor area.

This recalculation will reduce the percentage interest appertaining to each unit, but because the total amount of common elements will have increased, the actual ownership interests will be essentially unchanged. In other words, more people will be sharing the property, but the size of the property will have increased.

5. Aspen/Pitkin Housing Authority
Restrictions on Sale and Use

The Condominium and all of its units are subject to certain restrictions on sale and use by agreement with the Aspen/Pitkin Housing Authority under its program to promote Permanent Moderate Housing for persons employed in Pitkin County. Pursuant to those restrictions, the Declarant is permitted to sell units only to persons meeting the income and residency standards adopted by the Authority.

The restrictions limiting sale and use of the units will be imposed on each unit by a deed restriction and will require, if you choose to resell your unit, that you sell it to a purchaser qualified under the guidelines of the Aspen/Pitkin Housing Authority. A copy of the deed restriction that will apply to each unit is attached to the Declaration as an Exhibit.

In the event that you decide to sell your unit, you will be required to enter into an exclusive listing agreement with the Housing Authority and deposit with the Authority an amount equal to 1 percent of the listing price of the unit. The Authority will review the applications of prospective buyers to determine whether they qualify under the Authority's guidelines. If your unit is sold, there will be an additional fee paid to the Authority of 1 percent of the sales price. If you do not accept any of the offers made for your unit, the Authority shall retain the original 1 percent deposit. You will not be able to use a real estate broker in connection with any such resale and, consequently, you will not have to pay brokerage fees in addition to those described here.

The resale price of your unit, should you choose to sell it, will be limited to your purchase price plus appreciation equal to 6 percent per year for each year from the date of purchase or the percentage increase in the Consumer Price Index, whichever is less, plus the value of capital improvements to your unit, certain improvements to the common elements and certain public improvements.

While you retain ownership of your unit, you must live in it and you must be employed full time in Pitkin County.

B. Articles of Incorporation (Attachment 2).

The Association will be incorporated as a Colorado nonprofit corporation. The Articles of Incorporation creates the corporation and constitutes its basic charter. However, essentially all of the details respecting the actual operations and functions of the Association are set out in the Bylaws described below.

C. Bylaws (Attachment 3). The essential function of the Bylaws is to provide for the manner in which the Condominium is to be governed. The operation of the Condominium during the period when the Association will be controlled by the Declarant (the "Declarant Control Period") is described, and so is the manner in which the Condominium will subsequently be administered by the Association; its Board of Managers and committees; and a Managing Agent to be selected by the Board. There are various other provisions including, among other things, restrictions on the use of the units and common elements, the manner of setting the Association's budget and enforcing the collection of assessments, and insurance requirements. Some of the more important features of the Bylaws are described below.

1. Function and Powers of the Association.

The Centennial Owners' Association is the organization responsible for governing the Condominium. Each unit owner has a vote in the Association proportionate to the percentage interest appurtenant to his unit. Since a larger unit has a greater percentage interest, the owner of a larger unit will have a greater vote in the Association. The vote for each unit is equal to the percentage interest assigned to that unit by the Declaration multiplied by one hundred (100).

The unit owners will participate directly in the important policy decisions of the Association (although the Declarant will control the Association initially). All of the normal operations of the Association will eventually be accomplished under the direction of a nine-member Board of Managers. During the Declarant Control Period, the Board of Managers will consist of five (5) members appointed by the Declarant. After 25 percent of the units have been

conveyed to purchasers other than the Declarant, one (1) of the Board members appointed by the Declarant will be a unit owner, and after 50 percent of the units have been conveyed to purchasers other than the Declarant, two (2) of the Board members will be unit owners.

The purpose of the Declarant's retaining control of the Board of Managers in the early stages of the Condominium's existence is to ensure the stability of the Association and to administer the Condominium's affairs until the new unit owners become familiar with the project. The Declarant may retain control of the Board of Managers for three (3) years following conveyance of the first unit to a unit owner other than the Declarant or until four (4) months after 75 percent of the units are conveyed to unit owners other than the Declarant, whichever first occurs. After termination of the Declarant Control Period, all members of the Board of Managers will be elected by the unit owners.

The Board of Managers elects the officers of the Association. The officers are a president, vice president, secretary, treasurer, and any other officers the Board may deem necessary. The president and vice president must be members of the Board.

The Board of Managers also appoints a three-member Covenants Committee whose function it is to regulate the external appearance, use, and maintenance of the common elements. The Covenants Committee has the authority to prevent a unit owner from taking actions that are inconsistent with the general plan for design, appearance, use, or maintenance of the common elements. Decisions of the Covenants Committee may be appealed to the Board of Managers. The Covenants Committee may also interpret the condominium instruments, rules and regulations, and resolutions of the Board of Managers when requested to do so.

The operation of the Association is governed by the Bylaws. In addition to provisions for a Board of Managers, Managing Agent, and officers, the Bylaws provide for annual and special meetings, common expense assessments, insurance, restrictions on the use of units and common elements, and numerous other matters affecting the occupancy and operation of the Condominium. The Bylaws also authorize the Board of Managers to establish rules and regulations governing the use of units and the common elements.

2. Managing Agent.

The Declarant will employ a Managing Agent to act on behalf of the Association in the performance of all duties other than policy-making duties, acquiring property, opening bank accounts, and borrowing money. The Managing Agent will be a professional organization having the expertise necessary to operate the Association. The Managing Agent will bring to the task of managing the Centennial Owners' Association two qualifications which the Board of Managers may not possess. First, the Managing Agent will have expertise in handling the complex functions of the Association; and second, it will devote itself to running the Association on a full-time basis. In a condominium, the contributions of professional management are vital to the success of the unit owners association and are recognized as essential by most mortgage lenders. It is anticipated that the Managing Agent of the Condominium will be an entity affiliated with the Declarant.

3. Common Expense Assessments.

As indicated above, unit owners will be assessed to obtain the funds necessary to meet the budget of the Association. Annual assessments will be established prior to the beginning of each fiscal year and will be payable on a monthly basis. On the first day of each month, each unit owner will pay an installment of one-twelfth of the amount of the annual assessment, although the Association may not regularly send bills or requests for such payments.

The amount of the common expenses assessed against each condominium unit will be based on the percentage interest appertaining to the unit. Each unit owner will be responsible for payment of that percentage of the total annual budget which is equal to the percentage interest appertaining to his unit. For example, if a unit has a 1.5 percent percentage interest, the unit owner will be assessed an amount equal to 1.5 percent of the total annual budget. Since a larger unit has a greater percentage interest, the unit owner of a larger unit will be assessed a greater portion of the budget. A unit owner cannot obtain a reduction of the common expenses assessed against his unit by refraining from use of any of the common elements. The Declarant will pay full common expense assessments on all completed but unsold units.

The budget will cover anticipated common expenses for the upcoming fiscal year. The budget will also include whatever amount the Board of Managers considers necessary as an adequate reserve to provide for unforeseen contingencies, working capital, and repair or replacement of common elements.

If insufficient funds are budgeted for any given fiscal year, the Board of Managers may levy an additional assessment to make up the budget deficit. Conversely, should there be a surplus at the end of a fiscal year, the Board of Managers may, in its discretion, place the surplus in reserve accounts or refund the surplus to the unit owners by reducing future assessments. Any additional assessment will be payable by unit owners either in a lump sum or in installments, as the Board of Managers determines.

To provide the Association with an initial infusion of working capital, each purchaser will be required, at the time of the closing of title on his unit, to make an initial capital contribution to the Association. r- Such contribution will be equal to three (3) monthly installments of the Unit's estimated common expense assessment. This payment will ensure that the Association will have available sufficient money for three major purposes: first, to pay for initial equipment, supplies, organizational costs, and other start-up costs at the beginning of the life of the Association; second, to provide an immediate fund of cash at the beginning of the Association's operations to pay bills for such items as insurance premiums payable for the entire year when an entire year's assessments necessary to fund such premiums have not yet been collected; and third, to defray partially the higher per unit costs that occur in the early stages of the Association's business life. As sales of the units progress, the per unit cost of many items tends to decrease and the regular assessments should be sufficient for normal operational costs as the costs are spread among larger numbers of unit owners. Also, the working capital fund, if not otherwise expended, can provide additional reserves which may be set aside for unexpected expenditures to ensure that the Association starts out on a solid financial foundation. The initial capital contribution is ~ an escrow or advance and is not refundable. The initial capital contribution is also in addition to the payment of the first month's ~ assessment with respect to each unit, which payment will be required at closing.

The Declarant will bear all costs and expenses incurred in connection with the creation of the Condominium and sales of units, including selling expenses upon the initial sales of units, advertising and printing expenses, the Declarant's attorneys' fees, and engineering and surveying costs. All brokerage commissions, if any, on initial sales of the units by the Declarant's sales staff will be paid by the Declarant. The Declarant will convey each unit free of liens or liabilities against such unit, except the lien for current real estate taxes not then due and payable and the lien for ongoing condominium assessments.

4. Other Assessments.

Although normal common expenses are apportioned among all unit owners, certain common expenses will be payable in their entirety by individual unit owners. For example, with respect to each limited common element appurtenant to a unit (such as the entry decks and balconies), the unit owner may be charged, on an individual basis, with the cost of maintenance and repair of that limited common element by levy of a charge which may be imposed by the Board of Managers. If any additions, alterations, or improvements to the common elements are requested by certain unit owners and result in benefit to only those unit owners, the cost of the addition, alteration, or improvement may also be charged on an individual basis to the benefited unit owners.

Generally, a unit owner must pay directly all of the costs of maintenance and repair for his own unit. If the Association makes an emergency repair on behalf of an absent unit owner, the charge for that repair will be paid by the unit owner. The charges for utilities, except those utilities separately metered to each unit, are common expenses which will be apportioned among all unit owners.

5. Collection of Assessments.

All of the amounts assessed against a unit automatically give rise to a lien on that unit. If the assessments are not paid when due, the Association may perfect the lien by recording a notice thereof in the land records. The unit owner cannot dispose of his unit free of the lien until the lien is satisfied by payment of the assessments secured by the lien and the costs of collection. The Association may obtain

payment of past due assessments by foreclosure of the lien (resulting in a forced sale of the condominium unit) or by suing the unit owner. If any assessments are past due for more than two (2) months, the Board of Managers may accelerate the payments (i.e., declare immediately due and payable the total amount assessed against the unit owner for that fiscal year but not yet paid). In addition, the Association may impose a late fee and interest and provide notice of the delinquency to a lender holding a mortgage or deed of trust on the unit.

6. Insurance.

The Board of Managers will obtain insurance to protect the Association and, to a certain limited extent, the unit owners as individuals. Each building, including the units, will be covered by fire and property damage insurance. The coverage will be "all-risk" and in an amount determined by the Board of Managers to be reasonably adequate to protect the Unit Owners against physical damage to all or any portion of the Condominium. This coverage ~ ~ insure personal property belonging to a unit owner and may not cover any improvements or betterments to a unit made by a unit owner.

The Association and the unit owners will be insured against liability arising from ownership or use of the common elements. This coverage ~ ~ insure unit owners against liability arising from an accident or injury occurring within a unit or liability arising from the willful or negligent act or omission of a unit owner. The Board of Managers will also maintain appropriate workmen's compensation insurance and fidelity coverage to protect against dishonest acts on the part of Board members, officers, trustees, and employees of the Association, including the Managing Agent.

The Declarant strongly recommends that each unit owner obtain insurance coverage on his personal property and liability exposure not covered by the Association's policy. The unit owner may also wish to insure any improvements to his unit to the extent that the improvements increase the value of his unit beyond the limit of coverage provided by the policy maintained by the Association. The unit owner should be aware, however, that there are certain restrictions on this type of additional insurance in the Bylaws (~.~, such additional coverage may not reduce the amount that the Association may realize under any policy maintained

by the Association or cause any insurance coverage maintained by the Association to be brought into contribution with the unit owner's insurance coverage). The unit owner should consult his/her insurance agent (who can contact the Board of Managers or the Managing Agent if necessary) before purchasing such additional insurance.

The insurance purchased by the Association does include owner's or mortgagee's title insurance. Prior to closing, the Declarant will provide each purchaser with an owner's title insurance commitment from a reputable title insurance company, the premium for which the Declarant will pay. The Declarant will also obtain for each purchaser a mortgagee's title insurance commitment, but the cost of such insurance will be charged to the purchaser at the time of closing.

7. Taxes.

Real property taxes are levied specifically against individual condominium units. Each unit owner will receive an individual tax bill and will be responsible for the payment of the taxes on his own unit (unless the purchaser's lender requires escrow of tax payments with the monthly mortgage payment). It is estimated by the Pitkin County Assessor's Office that annual taxes on each condominium will be \$.52 per square foot.

D. Condominium Purchase Agreement (Attachment 4). The Condominium Purchase Agreement sets forth the terms and conditions of the sale transaction respecting your unit. It establishes the unit's purchase price and the purchase price of any optional features you select for your unit, describes when portions of the purchase price must be paid, sets the procedures for the closing of title, provides for the quality of title which you will receive, describes certain conditions under which refunds of portions of the purchase price will be made, and deals with a variety of other important issues.

Of particular importance are the provisions relating to your payment of the unit purchase price. Under the terms of the Condominium Purchase Agreement, you will be required to pay (in cash or certified or cashier's check) at the time of your execution of the Agreement an amount equal to 1 percent of the base purchase price of your unit plus 25 percent of the purchase price of any options you may have selected. Within 60 days thereafter, you will be required to pay

an additional amount equal to 1 percent of the base unit price, plus an additional 25 percent of the purchase price of any options you have selected. The remainder of the purchase price (less interest accrued on your previous payments), which may be obtained from your lender, will be due at the closing of title on your unit.

The funds which you pay at the time of your execution of the Condominium Purchase Agreement and 60 days thereafter will be escrowed until such time as they are (i) delivered to the Declarant at the closing of title on your unit, (ii) delivered to the Declarant following termination of the Agreement by reason of your default, or (iii) returned to you following termination of the Agreement, for any reason other than your default. Such funds will not be used by the Declarant for construction purposes.

E. Certificates of Limited Warranty (Attachment 5. Each unit will be covered by a limited warranty for two (2) years after the closing of title thereon; and each common element will be covered for two (2) years after the date the first unit is conveyed or from completion of that common element, whichever is later. The Declarant gives no warranty with respect to consumer products sold with the unit. The Declarant will transfer to the unit owner at closing any manufacturers' warranties on appliances sold with the unit.

Under the terms of the Condominium Purchase Agreement which you have signed or will be required to sign, you will have an unconditional right for a period of seven (7) days from the time of your execution of the Condominium Purchase Agreement and receipt of this Compilation of Legal Documents to cancel your contract to purchase a unit in the Condominium. In the event of such cancellation within the seven-day period, the amount paid by you at the time of contract signing will be refunded. However, should you fail to exercise your cancellation rights within the designated period, then your contract to purchase a unit will become a binding obligation. Accordingly, it is important that you review the attached documents promptly.