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6279-014

Arbor Reserve Homeowners Association

c/o Anne Mirich

Northwest Community Management

PO Box 23099

Tigard, OR 97281-3099

Re: *Arbor Reserve – Construction Defect Case Status Update*

Dear Arbor Reserve Homeowners Association Board of Directors:

This letter is intended to update the Arbor Reserve Homeowners Association Board of Directors (“Board”) about the current status of the construction defect litigation filed by the Association against the developer, general contractor and other parties responsible for the construction defects at Arbor Reserve. This letter has been carefully drafted so as not to disclose information subject to attorney-client privilege, and therefore can be shared with homeowners at the Association’s annual meeting.

There are currently four construction defect cases pending in Washington County against Arbor Homes. Coordinating these cases is a difficult task for the Washington County Court and for the attorneys, mediators and referees involved, many of whom are involved in all four cases. In order to resolve these difficulties, attorneys for the associations, Arbor Homes, West Hills Development and subcontractors met in a scheduling conference on Monday, November 15, 2010 with the presiding judge for Washington County, Judge Kohl.

After meeting with the mediators and referees for the four cases, Judge Kohl ordered trial schedules and mediation dates for all cases. The court set trial in your Association’s case for June 28, 2011. Trial is scheduled to last three weeks.

In an effort to keep the case progressing and hopefully settle the case short of trial, the court has also ordered the parties in the Arbor Reserve case (and in the other Arbor cases) to attend several court mediations. Those mediations begin in December, with an expert mediation designed to set the scope of repairs needed to fix the construction defects. Another mediation is scheduled for January 24, 2011 at Washington County Court to try and resolve the dollar amount necessary to settle the case. Parties who do not settle on January 24 will then be required to appear at a third mediation held February 8, 9, 10 and 11.

The Arbor Reserve construction defect case is also complicated by insurance coverage issues. West Hills Development—the general contractor for Arbor Reserve—has filed four insurance coverage

cases against its insurance carriers to resolve disputes about West Hills rights under its insurance contracts. The resolution of these insurance coverage issues is part of the mediation process and another issue complicating your construction defect case. If the insurance coverage issues are not resolved in the mediation process, the coverage cases are set for consecutive trials, with the first trial beginning in July.

Our firm continues to prepare for trial, including preparing for depositions and for the upcoming mediation dates. Both the Arbor Reserve Homeowners Association and the defendants have performed destructive testing at Arbor Reserve to determine the extent of the defects and damage, and the parties have already conducted one mediation. While it is always difficult to say exactly how any given case will progress, and while this case is further complicated by the fact that Arbor is defending four other construction defect cases in the same venue, at this point the case appears to be on track for the June 28, 2011 trial date.

Should you have any questions that have not been addressed, please feel free to contact me at rdh@vf-law.com or 503-684-4111.

Very truly yours,

VIAL FOTHERINGHAM LLP



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