

## SPECIAL ASSESSMENT (SA) PAYMENT OPTIONS

### **Calculating your SA**

The amount of the SA for an individual owner is based on the allocable percentage of ownership of the unit and all parking spaces, multiplied by the SA. You can find your allocable percentages on the Association's website.....

As an example, if your unit's allocable percentage is .009 and your 2 parking spots are .0003 each, your total allocable percentage is .0096. Multiplying the your total allocable percentage by the SA of \$2,800,000 results in your SA of \$26,880.

You may also use the SA Calculator (a spreadsheet) located on the Association's website. If you enter your unit number(s) and the parking number(s) of each of your parking spaces, the Calculator will determine both your total SA and the 34 equal monthly payments if you decide to self-finance (see below)

### **Payment Options:**

#### Self Financed:

This option means that you will not utilize the Association's arranged financing and that you will arrange to pay the SA from your own resources. The total SA is payable either "up front" at the beginning of the SA (March 1, 2010) or in equal monthly installments over 34 months (March 1, 2010 through December 1, 2012) In the example above, each of the 34 monthly payments would be \$790.59.

#### Association Financing:

The RBLC Association is in discussions with a third party lender to provide financing if owners are unable to self finance the SA. If you elect to be part of the Association financing pool, you have the option to pay your allocable share (in relation to all other unit owners in the financing pool) of the actual interest and other financing costs related to the loans from the third party lender. The interest rate over the 34 month period will be set by the third party lender once the Association and lender enter into a binding commitment. There would be no requirement to pay any principal portion of the SA until January 1, 2013.

At January 1, 2013, the SA will convert to a 7 year term loan payable in equal monthly installments that will include both principal and interest. The interest rate for the 7 year

term loan will be based on interest rates then in effect.

Because we do not know what exact interest rates will be, and we do not know when and in what amounts borrowings will be necessary as the project work related to the SA proceeds, we cannot predict your share of either the amount of interest and other financing costs during the 34 months, nor the equal monthly payment related to the 7 year term loan.

Additional considerations:

If you sell or transfer title to your unit, any remaining portion of your SA (and unpaid interest if you are in the Association's financing pool) is due and payable before or as part of the closing.

You may also elect to be in the financing pool and make partial SA principal payments, thereby reducing your financing cost and the monthly payments under the 7 year term loan. You may elect to make partial payments in fixed monthly amounts on the election form or once each calendar year, or at December 31, 2012 before the SA amount due converts to a 7 year term loan.

We have been advised that interest expense related to the Association financing is not deductible for current income tax purposes. By self financing, funds to make such payments may come from a number of sources such as mortgage loans, savings and investments or current earnings. You may wish to consult with your personal financial advisor, attorney or tax accountant before deciding on your payment options.

FAQ's:

**How do I elect a payment option?**

The Association has a form that can be obtained from the Building Management Company. Glen has forms and will collect the forms. Forms are due by February 19<sup>th</sup> so that the March 1 monthly assessment notices can be prepared. If you do not complete a form, you will be placed into the Association financing pool.

**How will financing cost be determined if I elect to choose the Association's plan?**

The current plan is to estimate the actual cost of financing at the beginning of each calendar year and bill a flat monthly estimate to each unit owner based on the annual estimate. The estimate will also be adjusted as necessary in June 2011 and 2012. The estimated payments for interest and financing cost will be trued up to an actual amount for each owner upon full payment of the SA if before December 31, 2012 or otherwise as of December 31, 2012.

**How will the SA be billed and where will the money go?**

The SA related payments will be billed with the regular monthly assessment and will be separately disclosed as a line item amount. The Building Group will deposit SA funds into a segregated bank account with the third party lending institution.

**If I elect to self finance over 34 months and my economic circumstances change such that I cannot make the monthly SA payments, can I convert to the Association financing pool?**

Yes

**After the SA converts to a 7 year term loan, can I prepay any outstanding balance before the end of the term?**

Yes, but you may incur a prepayment penalty.

**If I sell my unit, can the buyer assume and continue the financing plan option I have chosen?**

No. A buyer may not assume any remaining SA liability. The outstanding balance is due and payable by you before or at closing.

**Once interest rates on the Association financing are determined, can they be increased?**

Yes. The bank may increase the loan interest rate if the Association fails to meet certain minimum criteria or defaults on covenants, such as not making timely payments of interest or principal to the bank, failure to maintain a certain level of cash reserves, and failure to maintain a specified percentage of unit owners that are not in arrears on assessment payments. Specific criteria will be established upon entering into a binding contract with the lender.

**What if the project costs are less than the SA?**

The allocable portion of your total SA will be reduced accordingly. If your payments on the SA have exceeded your recalculated allocable share, a refund will be made. If your SA payments have not exceeded your recalculated allocable share, future monthly payments will be reduced, or the last monthly payments due will be eliminated, depending on cash outflows for the projects.

**What if I sold my unit before the final costs are determined and I overpaid?**

Without any legally binding agreement to the contrary, refunds will be made to the current unit owner. However, any additional costs (see below) will be assessed to the

then current unit owner

**What happens if a unit owner files for bankruptcy and the Association is unable to collect the SA?**

Any unpaid SA or related financing costs becomes the obligation of the Association and would have to be paid from regular assessments (or another SA) from all other current unit owners.

**If I am late making a monthly payment, what happens?**

The Association will assess a late payment of \$50 related to the regular assessment, and an interest charge (at a rate equal to the bank lending rate then in effect) will be added to any outstanding SA payment balance due.

Information provided is subject to change

The information provide herein is based on discussions with legal counsel and potential third party lenders as of January 7, 2010 and is the Association's best knowledge and belief regarding the procedures surrounding the payment options for the Special Assessment. However, there is no written or executed agreement with a lender at this date and therefore the above information is subject to change pending final negotiations and binding agreements with a third party lender.