

Mutual of Omaha Bank

Community Association Banking

July 3, 2015

Oak Hills Home Owners Association
Beaverton, OR

Re: Conditional Loan Commitment

Dear Board of Directors:

Mutual of Omaha Bank doing business as Community Association Banking (“Lender”) is pleased to provide a conditional loan commitment described below (“Commitment”). The Commitment is subject to the following terms and conditions:

- 1. Borrower:** Oak Hills Home Owners Association (“Borrower”)
- 2. Loan Structure:** 180 month fixed term loan. The rate will be fixed based at 4.50% for the entire term of the loan, providing the loan closes by November 15, 2015. Loan proceeds to be fully advanced at closing. Payments will be monthly principal and interest, fully amortized for the term of the loan.

Loan payments shall be made automatically via ACH (see form attached).
- 3. Amount:** Up to \$4,225,000. Prior to closing, the final loan amount will be reduced by the amount of partial or full prepayments Borrower receives for the series of monthly special assessments supporting the loan. After loan closing, all proceeds from any partial or full prepayments related to this loan must be applied, when received, toward repayment of the Loan.
- 4. Default Rate:** In the event of default, interest shall accrue at a rate of 5.00% above the foregoing rates, or the maximum interest rate allowed by law, whichever is lesser, until the default is cured.
- 5. Floor Rate:** None.
- 6. Fees:**
 - a. Documentation Preparation Fee: None. However, refer to Paragraph 10(a) below.
 - b. Loan Origination Fee: 0.50% of the loan amount to be collected at closing.
- 7. Collateral:** First position absolute assignment of all of Borrower’s assessment and other recurring income and a pledge and assignment of the account holding the loan proceeds.

8. Purpose: Loan proceeds will be used to demolish and rebuild the existing recreation facilities to include the gymnasium/multipurpose/administration building, pools and pool house as well as soft costs, closing costs and other related costs. Loan funds may only be used for this purpose.

9. Prepayment and Re-amortization:

Additional principal payments may be made with any monthly installment, but prepayments made due to a refinance from another institution will be subject to a charge of 1.00% of the principal balance at time of payoff.

At any time during the term of the loan, Borrower may request to re-amortize the loan balance (one time per year for free and if additional requests are received during the year, the fee will be \$100 for each additional request) over the remaining loan term, if currently in compliance with all loan terms and conditions. This feature allows the Borrower to lower monthly payments based upon additional principal reductions that may occur throughout the loan term.

10. Additional Terms, Conditions and Covenants:

- a. The loan shall be made without cost to Lender, except for Lender's regular and ordinary operating overhead expenses. Borrower shall pay all legal fees for Borrower's counsel and Lender's counsel, regardless of whether the loan closes. Upon execution of this letter, Borrower shall pay Lender's legal fees for the loan in the sum of **\$3,000**, by check made payable to **Antonio Albus, LLP**.
- b. Borrower will deliver to Lender (i) annually within 150 days of each Fiscal Year End ("FYE") during the loan term, CPA Reviewed Financial Statements, plus the budget in place for the year after the just-completed FYE with year-to-date results of income and expenses and any other financial documents requested by Lender, (ii) semi-annually within 60 days of each September 30th and March 31st, a current itemized Accounts Receivable Aging and Delinquency report to include, at a minimum, the obligor's name, unit number, and amounts due listed as being in excess of 30, 60, and 90 days past due, and (iii) annually within 150 days of each Fiscal Year End (September 30th), a copy of a serial assessment report showing the outstanding balances to include monthly payment amounts and prepaid serial assessments, plus copies of any additional existing records of financial information Lender requests.
- c. Prior to closing, Lender shall receive satisfactory evidence that Borrower maintains the following insurance at limits acceptable to Lender: (i) Comprehensive general liability coverage protecting Lender and Borrower against liability incidental to the use of, or resulting from, an accident occurring on or about the common areas of the community, including coverage for explosion, collapse and underground hazards, and completed operations; (ii) workers' compensation insurance to the extent and in amount required by Oregon law; (iii) if required by law, federal flood insurance in an amount satisfactory to Lender; and (iv) fire and broad form extended coverage insurance for 100% of the full insurable replacement cost of any improvements on the community which

Borrower is responsible to insure, insuring the improvements from loss due to fire, demolition, windstorm, collapse, explosion, underground hazards, and for code upgrades to allow damaged improvements, upon repair or reconstruction, to conform to any legal requirements. Borrower shall furnish evidence of any other insurance coverage Lender may reasonably require during the term of the loan. Borrower shall include Lender as a certificate holder on Borrower's insurance policies. All policies shall provide Lender with mandatory written notice of cancellation or material change from the insurer not less than 30 days prior to any such cancellation or material change, and all such policies shall be written by insurance companies satisfactory to Lender.

- d. The loan will be fully funded at closing into a controlled disbursement account with the following advance requirements: (i) Borrower shall request loan advances ("Advance(s)") using Lender's Advance form, (ii) Borrower shall designate one authorized person and a project manager/consultant to sign each draw requests, (iii) Borrower's authorized representative and project manager/consultant to sign each draw request indicating the review of the work completed, (iv) advances shall be limited to twice a month, (v) Lender to approve disbursement process, which is to include internally monitored construction budgets, with final draw of not less than 5% of total project costs to be advanced upon certification of project completion, (vi) Lender will require third party inspections after each and every \$1,000,000 in loan proceeds disbursed and prior to the final disbursement to be paid for by the Borrower, (vii) an inspection report will be ordered at the time of the final draw by Lender and paid for by Borrower, confirming to Lender's satisfaction that the subject project has been completed according to the construction contract and local building codes, (viii) funding of loan proceeds shall be based on AIA (or equivalent) contract or disbursement request documents, invoices to be supplied when requested by Lender, (ix) each draw request will also be accompanied with conditional lien waivers for the work covered by the advance and (x) a final unconditional lien waiver will be required at the completion of the project.
- e. Any payment received beyond 20 days of the date due shall be subject to a late charge of 5.00% of the payment due. Any payment more than 30 days delinquent from the payment due date shall initiate the loan's default provisions.
- f. Without Lender's prior written consent, Borrower may not, during the loan, convey or transfer any interest in, or otherwise encumber, any of Lender's collateral for the loan.
- g. Lender shall have a lien on and the right of setoff against all liabilities arising out of this loan, upon and against all deposits, credits, and property of Borrower without first resort to any other collateral, and the right to apply all of any part of said deposits, credits and other property of Borrower.
- h. Prior to closing, Borrower shall provide legal opinions and other documents confirming to Lender's satisfaction that: (i) Borrower is duly established and in good standing; (ii) Borrower has the right and power to obtain this loan and to pledge its assessment income and any other identified security as collateral; (iii) Borrower has the right and power to collect delinquent assessments, including the

right and power to foreclose on member units, and to assign such right and power to Lender; (iv) Borrower is entering into this transaction in compliance with applicable law and Borrower's governing documents, and with all necessary member approvals; (v) Borrower is not a party to any threatened or pending litigation except judgments/suits brought by the association in the normal course of business to collect past due assessments; (vi) Borrower has the right and power to increase its annual assessment level to comply with the condition set forth in Paragraph 10(j); and (vii) Borrower's members approved a series of monthly special assessment supporting the loan, in compliance with applicable law and in compliance with Borrower's governing documents. Borrower shall also provide any additional opinions or representations as Lender may require prior to closing.

- i. Prior to closing, Borrower shall provide a current itemized assessment receivable report showing that the number of units more than 60 days delinquent does not exceed 5% of the total number of units in the community and, if it does, the loan will not close. Once the loan is closed, a maximum delinquency rate of 10% for units more than 60 days delinquent shall apply during the entire term of the loan, to be measured annually and, a violation of the maximum delinquency rate is an event of default.
- j. Effective prior to closing and annually thereafter during the entire term of the loan, Borrower must maintain net cash flow coverage of 1.05 times. Net cash flow coverage is defined as cash flow from all assessments plus other eligible recurring income (interest income, late fees, dropbox income, RV lot income, move in/move out fees, recreational program income, event income, field and facility use income and other miscellaneous income), divided by normal and customary operating expenses plus principal and interest payments on all bank debt. Annually borrower shall adjust its assessment income level as needed to meet this minimum cash flow coverage requirement. Borrower may not lower its assessment level without Lender approval.
- k. Prior to closing, Lender shall receive all items identified on Lender's closing checklist. A checklist will be provided after Borrower accepts this Commitment and pays the legal fees, if any, required by Paragraph 10(a) above.
- l. Prior to closing and subject to Lender's satisfactory receipt and review of the project final AIA contract, construction budget and contractor qualifications, acceptable to Lender. Loan shall not exceed 100% of project costs, to include contingency, soft costs, closing costs and other related costs including previously incorrect project costs (soft costs),
- m. Special Assessment amount shall be set to a minimum amount necessary to fully amortize the loan.
- n. Prior to closing, Borrower shall confirm that: (i) Borrower's loan application, and all documents submitted by Borrower in connection with the application remain true and correct and substantially the same as when submitted; and (ii) there has been no material change in Borrower's financial condition or the status of the collateral securing the loan.

11. Membership Approvals and Monthly Payment Date:

- a. Membership Loan Approval (please select one of the following and complete the date as applicable):

____ The membership approved the loan by a vote on _____, 201__
OR

____ A membership vote for loan approval is scheduled for _____, 201__
OR

____ Membership approval is not required for the loan.

- b. Special Assessment Approval (please select one of the following and complete the date as applicable):

____ The membership approved the special assessment by a vote on,
_____, 201__

OR

____ A membership vote for special assessment approval is scheduled for
_____, 201__

OR

____ Membership approval is not required for the special assessment.

- c. You are able to select the specific loan payment date that will be in effect for the term of the loan. For example: 1st, 12th, 17th, 23rd, etc. It can be any day of the month.

Carefully considering and selecting the payment date is important. Think about the typical pattern of collecting funds from your monthly billing activity. Select a payment date that works well with your flow of funds and administration. Typically, a monthly loan payment notice is received by you seven business days prior to the payment being automatically debited via ACH.

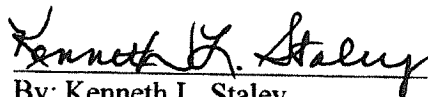
Select a Monthly Loan Payment Date: _____

* * *

Borrower agrees this letter supersedes any prior written or oral representations or agreements by or between Lender and Borrower with respect to this Commitment, and that the Commitment can only be amended in a writing executed by Borrower and accepted by Lender. This letter outlines certain terms, conditions, and requirements committed by Lender to Borrower, and are not intended to encompass all terms of the loan agreement. Borrower acknowledges and agrees that Lender may make changes necessary to protect Lender's interest, so long as the substance of the foregoing terms herein remain the same. This Commitment is not assignable by Borrower without Lender's prior written consent.

This Commitment shall remain open for Borrower's acceptance until **August 17, 2015** (the "Acceptance Date"), after which it shall be null and void. The loan must close not later than 45 days after the Acceptance Date, or Lender's obligations hereunder cease.

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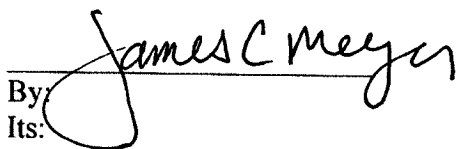


By: Kenneth L. Staley

Its: SVP CAB Lending Manager

Agreed and accepted this 5TH day of August 2015.

OAK HILLS HOMEOWNERS ASSOCIATION



By:
Its: