

**ARBOR TERRACE HOMEOWNERS ASSOCIATION
BOARD OF DIRECTORS' RESOLUTION #7---RE: SPECIAL ASSESSMENT
(Lump Sum or Serial Assessments)**

This Resolution, effective February 1, 2013, reflects the action taken by the Board of Directors ("Board") of the Arbor Terrace Homeowners Association ("Association") at a duly called meeting held January 22, 2013.

RECITALS

A. The Association obtained proceeds from the construction defect litigation, which the Association has put into reserves to pay for repairs to the exteriors of the rowhouses ("Common Home Exteriors").

B. The proceeds from the construction defect litigation are not sufficient to fund all of the repairs that need to be made to the Common Home Exteriors ("Repairs").

C. Pursuant to Section 10.6 (c) of the Declaration of Conditions, Covenants and Restrictions for Arbor Terrace ("Declaration"), the Board, upon a majority vote, may approve a special assessment of the Association for repairs to the Common Area that cannot be funded out of the operating budget or reserve account.

D. Section 1.8 of the Declaration defines the Common Area to include all areas for which the Association has a maintenance responsibility, and since the Association has the responsibility to maintain and repair the Common Home Exteriors, such costs may be specially assessed per Section 10.6 (c) of the Declaration.

E. ORS 94.704 provides that any common expenses which benefit fewer than all of the lots, may be assessed against only those the lots which benefit.

F. The Board has obtained a bid from Charter Construction to complete the Repairs for \$1,228,036.41. This cost does not include Morrison Hershfield's fee, which will be paid out of the proceeds of the construction defect litigation.

G. The Association will require approximately \$800,000 beyond the funds that it received from the defect litigation to complete the Repairs.

H. The Board has contacted lenders and has obtained financing offers to fund the shortfall in the cost of the Repairs.

I. The Board has approved funding of the Repairs through a loan from Northwest Bank to the rowhouse owners and/or cash payments directly from such owners.

J. The Repairs will be funded initially by the litigation proceeds and then by special assessment.

K. Each rowhouse will be assessed a special assessment based on the same formula as used to determine regular Association assessments set forth in the Declaration.

L. Each rowhouse owner will be given the choice of paying one lump sum assessment, two lump sum assessments, or a series of monthly assessments tied to the debt service on the terms of the loan from Northwest Bank.

M. The Board has negotiated the terms of the Northwest Bank loan and various contracts necessary to proceed with the Repairs, all as detailed in the meeting minutes of the Board.

N. The Board previously adopted a resolution authorizing the Repairs and a lump sum assessment or serial assessments on May 22, 2012. Following that resolution, the Association was informed that its reserve funds had been stolen by its former community manager and the Board then elected to put the repairs and assessments on hold. The Association has now been repaid most of its reserve funds and is now adopting the following resolutions to advance the Repairs and to approve the associated assessments.

NOW, THEREFORE, IT IS HEREBY

1. **RESOLVED**, that the Board affirms that it has elected to engage Charter Construction as the contractor to make the Repairs and Morrison Hershfield to serve as engineer and architect on the project; and it is hereby

2. **RESOLVED**, that the Board affirms that it has selected Northwest Bank to provide financing to the Association for that portion of the Repairs that cannot be funded by the Association's construction defect litigation proceeds; and it is hereby further

3. **RESOLVED**, that the Board affirms the authorization of a special assessment against all rowhouse lots; and it is hereby further

4. **RESOLVED**, that each rowhouse owner may select the manner in which the special assessment is levied, with each owner choosing one of the following options:

OPTION A: One (1) lump sum assessment with payment due on March 1, 2013;

OPTION B: Two (2) lump sum assessments with the first due on March 1, 2013 and the second assessment to be levied on February 1, 2014 and due on March 1, 2014. The amount of the first assessment will be half of the estimated total amount that will be assessed against the rowhouse, plus one year of interest based on the Northwest Bank loan terms. The second lump sum assessment will be the amount of principal still remaining after the first payment.

OPTION C: One hundred and eighty six (186) separate serial assessments levied monthly in an amount required to at least repay the rowhouse owner's share of the principal and interest of the Northwest Bank Loan, plus additional project costs (to be established by the Board), commencing on March 1, 2013. Each assessment will be assessed and due on the first day of each month thereafter until paid in full (with no prepayment penalty)(the specific terms of the loan to be contained in the Board's meeting minutes); and it is hereby further

5. **RESOLVED**, that each rowhouse owner will be asked to select in writing which manner of special assessment such owner chooses. Any owner failing to respond by the due date established by the Board or failing to make his or her lump sum payment under Option A or B when due, shall be automatically enrolled in Option C, with one hundred and eighty (186) serial monthly assessments applicable to that owner's rowhouse; and it is hereby further

6. **RESOLVED**, that the Board will have the authority to vary the amount of each serial assessment, including the right to increase the amount of each assessment to establish a reserve fund and/or prepay the loan; and it is hereby further


7. **RESOLVED**, that the Board will make the debt service payments on the Association's loan to Northwest Bank on a monthly basis, but the Board will only prepay any advanced or excess payments to Northwest Bank once per year. In conjunction with an annual prepayment made to Northwest Bank, the bank will re-amortize the loan to calculate a new monthly payment owing on the Association's loan. In the event that an owner wishes to prepay his or her lump sum or serial special assessment, the prepayment amount will be calculated to include interest through the date of the next annual prepayment; and it is further

8. **RESOLVED**, that in the event that any rowhouse owner who is being serially assessed pursuant to the Northwest Bank loan or is participating in Option B described above, wishes to sell his or her home, the owner will have the option of either paying off the remainder that the owner owes under the loan at closing or allowing the new owner to assume the serial assessments or the next lump sum assessment; and it is hereby further

9. **RESOLVED**, that a rowhouse owner who is being serially assessed pursuant to the Northwest Bank loan or is participating in Option B described above, will not be required to pay off the remainder that the owner owes under the loan in conjunction with a refinance of the owner's mortgage.

IN WITNESS WHEREOF, the undersigned hereby certifies that the foregoing Resolution was adopted on the date first written above.

ARBOR TERRACE HOMEOWNERS ASSOCIATION

By: 
President


Treasurer

By: 
Secretary

