



Alliance Association Bank

A division of Western Alliance Bank. Member FDIC.

April 28, 2022

The Foothills Clusters Homeowners Association
121 W. Orange Grove Road; Unit 4282
Tucson, AZ 85704

On behalf of Alliance Association Bank and Western Alliance Bank, (hereafter referred to as “Bank”), I am pleased to propose the following financing terms to The Foothills Clusters Homeowners Association (“Borrower”). *This term sheet is provided solely as a basis for discussion and should not be construed as a commitment by the Bank.*

| FACILITY 1 | TERM LOAN |
|------------------|---|
| Loan Amount: | Up to \$800,000.00 |
| Purpose: | To fund street replacement project, as well as other projects approved by the Board of Directors of the Association. |
| Term: | <u>Option 1:</u> 15 years fully amortizing with a 7.5 year reset. <u>Option 2:</u> 15 years fully amortizing. |
| Repayment: | <u>Option 1:</u> \$6,636.23 per month (principal and interest) for 180 months with an interest rate reset at 90 months. <u>Option 2:</u> \$6,939.76 per month (principal and interest) for 180 months. <i>Note: Payment amounts are estimated based on assumed loan amount and the current interest rate.</i> |
| Rate: | <u>Option 1:</u> A fixed rate equivalent to the 7-year FHLBSF + 2.40%, with a minimum interest rate of 5.00%. Currently that rate would be 5.65%. Interest rate to reset at 90 months to 7-year FHLBSF + 3.65% with a minimum interest rate of 5.00%. <u>Option 2:</u> A fixed rate equivalent to the 15-year FHLBSF + 2.50%, with a minimum interest rate of 5.00%, Currently that rate would be 6.34%. <i>The rates referenced herein change daily as obtained from Federal Home Loan Bank San Francisco (FHLBSF). Interest rate to fix at time of closing.</i> |
| Origination Fee: | \$1,500.00 due upon acceptance of the term sheet. Origination Fee is refundable if the loan is declined. |

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| Closing Fees: | Waived. |
| Prepayment Penalty: | 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 5.0% of the principal balance at the time of payoff. |
| Bank Control Account: | 12-months of Principal and Interest at closing. Will release 3-months of Principal and Interest when Annual DSCR achieves milestones of 1.05x, and an additional 3-months of Principal and Interest when Annual DSCR achieves milestones of 1.10x and an additional 3-months of Principal and Interest when Annual DSCR achieves milestone of 1.15x. 3-months of Principal and Interest to remain in bank control account until DSCR is above 1.50x. |

General Terms and Conditions

SECURITY: Irrevocable assignment of all assessments, including any special assessments, and an assignment of all collection rights; and a first priority lien against the Borrower's assets.

REPORTING:

Borrower shall provide the Bank with the following:

1. Company Prepared Annual Financial Statements within thirty (30) days of each fiscal year end.
2. Annual approved budget for the upcoming budget year. The annual budget must be submitted to the Bank by 12/31 of the year prior to the budget year. Also, the annual budget must contain a line item equal to the annual debt service for all loan facilities and provide 1.15x debt service coverage. The debt service coverage calculation is defined in the loan covenant section below.
3. Owner Assessment Delinquency reports must be submitted on an annual basis within thirty (30) days of each period end.
4. Any additional documents as the Bank may request from time to time, to verify that all conditions of the loan agreements are being fulfilled.

COVENANTS: (monitored on an annual basis unless otherwise noted).

1. Reserve Contribution and Loan Payment to exceed monthly loan payment by 15% to ensure minimum Debt Service Coverage Ratio of 1.00:1.00 increasing to 1.15:1.00 at year four. Debt Service Coverage Ratio is the sum of Net Income + Loan Payment + Reserve Contributions + Non-Recurring Expenditures divided by the Loan Payment. The debt service coverage ratio will be based on the results of the Borrower's annual financial statements.
2. Minimum Aggregate Cash Balances in an amount equal to 20% of annual assessments based on the annual assessment amount for the monitored year. Special assessment amounts are excluded from this category.
3. Maximum Delinquency Rate (monitored annually) not to exceed ten (10%) percent based on the number of units that are greater than sixty (60) days delinquent. Fines, late charges or fees assessed for additional services are excluded from this calculation.

4. Deposit Account(s) and Automatic Payment Deduction: The Borrower will establish and maintain a deposit account with the Bank. The Borrower will allow the Bank to automatically deduct the monthly loan payment from the account(s) through ACH which must be established before the loan is closed. Additionally, Borrower will maintain all reserve balances including any settlement proceeds at Bank throughout the life of the loan. Failure to maintain a deposit account with the Bank for payment purposes, or failure to maintain reserve balances throughout the entire loan term, will both be considered events of default. Reserve accounts must be established prior to closing. If such accounts are established independent of a management company, a monthly service fee may apply.
5. Annual Assessment and Special Assessment Amounts: Proposed decreases of the Annual Assessment and/or Special Assessments will be subject to Bank approval. The Bank will not unreasonably withhold the approval of the modified amounts. In addition, special assessment “prepayments” collected by the Borrower must i) be applied to the outstanding loan principal or ii) in the absence of an outstanding loan balance, the loan commitment for the applicable credit facility will be reduced by the amount of the special assessment “prepayment” collection.

OTHER CONDITIONS:

1. *Declaration and By-Law Requirements:*

Borrower shall provide Bank with an opinion letter from Borrower’s legal counsel, or a Bank-prepared Borrower’s Affidavit as applicable, concerning Borrower’s ability to enter into the loan agreement and undertake the common element repair project without violating any provisions of Borrower’s governing documents or State Law.

2. *Board Approval:*

Borrower to submit to the Bank copies of the applicable Board meeting minutes or resolutions approving the decisions to 1) undertake the subject common element repair projects, 2) obtain this credit facility, and 3) levy the special assessment, if applicable, for the subject project. Borrower shall provide evidence that the special assessment for the subject repair project has a term and duration that matches or exceeds the term of this facility.

3. *Hazard Insurance:*

Borrower shall submit, prior to the Loan Closing Date, evidence of insurance in form and substance satisfactory to Bank or a policy of fire and extended coverage insurance in at least the amount of the Loan or maximum insurable amount obtainable from an insurance company. Western Alliance Bank shall be listed as Additional Insured and Lender Loss Payee.

4. *Expenses:*

Borrower shall pay all expenses incident thereto and to the credit facilities contemplated hereby, including but not limited to expenses of any counsel engaged by us, recording fees, inspection fees, documentation expenses, title/escrow expenses and search fees. Borrower shall be responsible for such expenses regardless of whether credit facilities are consummated.

5. *Loan Documents:*

The Loans shall be evidenced by documentation to be prepared by outside counsel including but not limited to: a note, business loan and security agreements, assignment of assessments and collection rights, Uniform Commercial Code Financing Statements, and all other documents required by Bank or its counsel (collectively, the "Loan Documents"). All of said documents are to be in form and substance acceptable to Bank and its counsel.

6. *Disbursements:*

All loan disbursements are subject to the Bank receiving written authorization from the Borrower's Board of Directors. A signed inspection certificate (AIA Format) from an Architect/Engineer/Contractor acceptable to the Bank, and receipt of all requested documentation including but not limited to general contractor's sworn statement and/or contractor's invoices. Lien waivers may be required on loans over a certain dollar amount.

7. *Proposal Expiration:*

The terms and conditions of this proposal must be acceptable and agreed to by the Borrower in the manner provided below. An executed copy of this letter must be delivered to AAB, along with all required documents listed in the Customer Underwriting Package, on or before June 27, 2022. Absent the executed copy of this letter and additionally required information, on or before the stated expiration date, the term sheet will be considered void.

Thank you again for this opportunity to serve your financial needs. We look forward to working with you and developing a long and lasting mutually beneficial relationship. Should you have any questions, please feel free to contact me at 602-791-4444.

Best regards,

Elise Saadi
Vice President
ALLIANCE ASSOCIATION BANK

ACCEPTANCE OF PROPOSAL, AND SUBMISSION OF FORMAL CREDIT APPLICATION:

I/We for ourselves and as owners(s)/officer(s)/partner(s) of the Applicant authorize The Bank to make whatever credit inquiries or verification of information that The Bank deems necessary in connection with this credit application or in the course of review or collection of any extension of credit. I/We authorize and instruct any person or reporting agency to compile and furnish any information that it may have or obtain in response to credit inquiries from The Bank in connection with this application or extension of credit. I/We agree that any information supplied or furnished by any person or reporting agency in response to this application shall remain the property of The Bank whether or not credit is extended. The undersigned represents and warrants that a) the foregoing application and information provided in conjunction with said application (including all exhibits) has been carefully read and is true, correct and otherwise complete and that The Bank may consider this statement as continuing to be true, correct and complete until a written notice of change is given to The Bank by the undersigned, b) the signature(s) below are valid, genuine and the individual(s) signing this application received all necessary authorizations to sign this application, and c) that this application and the loan is for the purpose of procuring, establishing and maintaining credit for business or commercial purposes and the proceeds will not be used for any personal, family or household purpose. I/We understand that this loan, if approved, will be originated, funded, and serviced by The Bank.

REVIEWED AND ACCEPTED THIS _____ DAY OF _____, 20__.

By: _____ Title: _____

Loan Option # _____

This letter is not to be construed as a formal commitment on the part of AAB, but merely an indication of our sincere interest in pursuing a full banking relationship with you. The conditions and terms as described herein are not intended to incorporate all such terms or conditions as may be found in the Loan Agreements or such other documents necessary to close the transactions. Any commitment is subject to approval by the appropriate Loan Committees, as well as completion of documents satisfactory to our counsel.

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Origination Fee Payment Options:

1. Please take the Origination Fee out of the Association's AAB account # _____

Authorized AAB account signer _____

2. Please deduct the Origination Fee via ACH out of an outside bank account (please fill out the attached ACH authorization form in order to initiate this)
3. Send a check made payable to Alliance Association Bank and mail to the following address:

Western Alliance Bank
Attention: Loan Department
3033 W Ray Rd. Suite 200
Chandler, AZ 85226

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Alliance Association Bank®

Electronic Funds Transfer Authorization

As a duly authorized check signer on the financial institution account identified below, I authorize Alliance Association Bank (“AAB”), a division of Western Alliance Bank, to perform scheduled or periodic funds transfer debits from the account identified below for loan origination fee due.

ACCOUNT HOLDER NAME

ACCOUNT HOLDER ADDRESS

CITY STATE ZIP

ACCOUNT HOLDER PHONE NUMBER

ACCOUNT HOLDER'S BANK NAME AND ADDRESS

TYPE OF ACCOUNT (e.g., Checking, Savings, etc.)

BANK ROUTING NUMBER

BANK ACCOUNT NUMBER

I hereby authorize AAB to initiate an electronic debit from the bank account indicated above for the amount of \$_____. I hereby certify that I am duly authorized to execute this form on behalf of the above listed account holder.

SIGNATURE PRINTED NAME/TITLE DATE

SIGNATURE PRINTED NAME/TITLE DATE

ATTACH VOIDED CHECK WITH THIS AUTHORIZATION AND MAIL BOTH TO:

Alliance Association Bank
3033 W. Ray Road Suite 200
Chandler, AZ 85226-9855

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