

Stream House Loan Comparison

	CIT		CIT		CIT		Pacific Western Bank		Pacific Western Bank		Pacific Western Bank		Manufacturers Bank	
Total Loan Amount	\$3,341,500.00		\$3,341,500.00		\$3,341,500.00		\$3,341,500.00		\$3,341,500.00		\$3,341,500.00		\$3,341,000.00	
Term	5 Years	12-month draw (Interest Only)	10 Years	12-month draw (Interest Only)	15 Years	12-month draw (Interest Only)	6 Years	12-month draw (Interest Only)	11 Years	12-month draw (Interest Only)	16 Years	12-month draw (Interest Only)	10 Years	12-month draw (Interest Only)
		4 years amortized fixed at closing		9 years amortized fixed at closing		14 years amortized		5 years amortized		10 years amortized		15 years amortized		9 years amortized
		0-year reset		0-year reset		5-year reset		0-year reset		0-year reset		0-year reset		0-year reset
Draw Period	Monthly interest payments Fixed at Closing		Monthly interest payments Fixed at Closing		Monthly interest payments Fixed at Closing		Monthly interest payment. Fixed at 6.5%		Monthly interest payment. Fixed at 6.5%		Monthly interest payment. Fixed at 6.5%		Monthly interest payments Fixed at Closing	
Interest Rate "Term" Period	4-year fix term based on 5-yr CMT + 2.8% Floor 6.5%		9-year fix term based on 10-yr CMT + 3.3% Floor 6.8%		5-year fix term based on 5-yr CMT + 3.4% Floor 6.9%		5-year term 6.5% on a 5-year amortization		10-year term 6.5% on a 10-year amortization		15-year term 6.5% on a 15-year amortization		9-year fix term based on 10-year FHLB (4.26%) + 2% 5.0% Floor	
Reset Period	None		None		5-year CMT Floor 6.9%		None		None		None		None	
Fees	0.5% = \$16,707.50		0.5% = \$16,707.50		0.5% = \$16,707.50		0.25% = \$8,354.00		0.25% = \$8,354.00		0.25% = \$8,354.00		0.50% = \$16,707.50	
	Legal Fee of \$3,000		Legal Fee of \$3,000		Legal Fee of \$3,000		Documentation fee of \$500		Documentation fee of \$500		Documentation fee of \$500		Documentation fee of \$2,000, plus third party fees	
Prepayment Penalty	Refi only 1% outstanding		Refi only 1% outstanding		Refi only 1% outstanding		Refi only 5%, 4% 3%, 2%, 1%		Refi only 5%, 4% 3%, 2%, 1%		Refi only 5%, 4% 3%, 2%, 1%		Refi only 5%, 4%, 3%, 2%, 1%	
Estimated Monthly Payment	\$79,243.52		\$41,452.02		\$31,072.76		\$65,875.00		\$38,301.00		\$29,432.00		\$40,891.54	
Collateral	First position Absolute Assignment of the Association's future income including its right to receive common expense assessments and all future income.		First position Absolute Assignment of the Association's future income including its right to receive common expense assessments and all future income.		First position Absolute Assignment of the Association's future income including its right to receive common expense assessments and all future income.		First perfected security interest in all Association's accounts receivable, regular and special assessments		First perfected security interest in all Association's accounts receivable, regular and special assessments		First perfected security interest in all Association's accounts receivable, regular and special assessments		First perfected security interest in all Association's accounts receivable, regular and special assessments	
Deposit Requirements	Must establish and maintain a deposit relationship for the life of the loan.		Must establish and maintain a deposit relationship for the life of the loan.		Must establish and maintain a deposit relationship for the life of the loan.		None		None		None		Borrower must maintain a Minimum ending cash and cash equivalent balances to Ideal Reserve ratio ("Reserve Ratio") of 30% measured annually at the end of the fiscal year.	
Special Assessment	Approximate \$478		Approximate \$250		Approximate \$188		Approximate \$397		Approximate \$231		Approximate \$178		Approximate \$246.33	

Notes/Comments: CIT, Pacific Western Bank, and Manufacturers Bank provided a LOI only for the amount listed. Manufacturers Bank was not approved to provide a 15-year term due to larger capital expenditure requirements after year 10 which would put constraints of the reserve ratios and cash flow.



September 26, 2022

CIT Bank, a division of First-Citizens Bank & Trust Company is pleased to present the following loan proposal for your consideration. This letter is not a commitment of offer to lend by the Bank. It is only an expression of interest and a summary of the credit facility we are considering at this time. The issuance of a loan commitment is subject to the approval by appropriate Bank authorities in accordance with the Bank's standard underwriting guidelines.

Borrower: Stream House Community Association - CA

Guarantors: None

Request: \$3,341,500.00

Purpose: Roofing, asphalt, decks, patios, trip hazards, lake maintenance

Product: **Multiple Advance Term Loan**
0.50% Loan Origination Fee on commitment amount paid at closing.

Option 1: **5 Year (60-month term loan).** Loan advances will take place during the first 12 months of the term loan ("Draw Period"). Payments will be monthly interest only during the Draw Period. After the Draw Period, payments will be monthly principal and interest, fully amortized for the remaining 4 years of the loan. The rate for the term loan will be fixed based on the 5-year US Treasury Constant Maturity in effect on the fifth business day prior to closing plus a spread of 2.80%. The rate will have a floor of 6.50% during the entire loan term. *Estimated monthly principal and interest payments based on 4 years \$79,243.52*

Option 2: **10 Year (120-month term loan).** Loan advances will take place during the first 12 months of the term loan ("Draw Period"). Payments will be monthly interest only during the Draw Period. After the Draw Period, payments will be monthly principal and interest, fully amortized for the remaining 9 years of the loan. The rate for the 10-year increment of the term loan will be fixed based on the 10-year US Treasury Constant Maturity in effect on the fifth business day prior to closing plus a spread of 3.30%. The rate will have a floor of 6.80% during the entire loan term. *Estimated monthly principal and interest payments based on 9 years \$41,452.02*

Option 3: **15 Year (180-month term loan).** Loan advances will take place during the first 12 months of the term loan ("Draw Period"). Payments will be monthly interest only during the Draw Period. After the Draw Period, payments will be monthly principal and interest, fully amortized for the remaining 14 years of the loan. The rate for the first 5-year increment of the term loan will be fixed based on the 5-year US Treasury Constant Maturity in effect on the fifth business day prior to closing plus a spread of 3.40%. The rate for each subsequent 5-year increment of the term loan will be fixed based on the 5-year US Treasury Constant Maturity plus the original spread. The rate will have a floor of 6.90% during the entire loan term. *Estimated monthly principal and interest payments based on 14 years \$31,072.76*



Collateral / Security: First position Absolute Assignment of the Association's future income including its right to receive common expense assessments and all future income.

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 1% of the principal balance at time of payoff.

Legal Fee: \$3,000.00

Other Conditions: Must establish and maintain a deposit relationship for the life of the loan.

Loan Payments: Loan payments are made automatically via ACH transfer.

Proposal Expiration: This proposal expires within 30 days of this letter.

Should the terms of this proposal meet your requirements or if you have any questions, please contact us at Brendan Concannon (619)261-6643 or Jolen Zeroski (213)604-1746, or Lindsey Biren (805)405-3435 with any questions. Thank you for the opportunity to present you with this proposal.

Sincerely,

Monica L. Ramos

Monica L. Ramos
CIT Bank, a division of First-Citizens Bank & Trust Company
cc: B. Concannon, J. Zeroski, L. Biren



September 20, 2022

Board of Directors of Stream House Community Association
C/O Kaycie Lambright, CCAM
Powerstone Property Management
9060 Irvine Center Drive,
Irvine, CA 92618

Dear Board Members,

Thank you for giving Manufacturers Bank (“MB”) the opportunity to present this commercial banking proposal. This is merely an expression of interest and should not be construed as a commitment, a contract or an offer to enter into a contract, all of which would entail greater due diligence than we have conducted to date. Rather, this outline is intended to describe certain basic points of our business understanding, which will enable us to proceed towards a commitment.

COMMERCIAL LOAN FACILITY

Borrower: Stream House Community Association (“Association”)

Amount: Up to \$3,341,000 Non-Revolver Line of Credit to Commercial Term Loan. Subject to the Borrower implementing one of the following:

1. Association to approve a special assessment acceptable to bank (minimum \$21,000 per unit or spread over 10 years at \$175 per month per unit). Additional increase to HOA dues may be required to maintain required 30% ratio reserves and debt coverage of 1.15x for the duration for the loan.
(If some homeowners pay the special assessment upfront in one lump sum, the loan amount will be lowered by such upfront special assessment payments.)

Purpose: Loans funds will be used to support the upcoming expenditure for the Association.

Loan Type: An interest only period for the first 12 months followed by a 9-year term loan with interest and principal payments amortized over 9 years. Should the non-revolving line of credit become fully utilized prior to the initial 12 months draw period, an amendment to the loan documents will be generated terming out the facility through the maturity date.

Interest Rate: Option 1: Fixed for 10 years based on the 10-year Federal Home Loan Banking Index (FHLB – today is 4.26%) plus a margin of 2.00% with a floor rate of 5.00%; interest rate to be set on the closing date.

Option 2:

- Year 1 to 5: Fixed for 5 years based on the 5-year Federal Home Loan Banking Index (FHLB today is 3.96%) plus a margin of 2.00% with a floor rate of 4.50%; interest rate to be set on the closing date.
- Year 6 to 10: Reset at the end of year 5 with a 5-year fixed rate based on 5-year Federal Home Loan Banking Index (FHLB today is 3.96%) plus a margin of 2.00% with the rate not to be lower than the starting rate at loan origination.

Repayment: Draw Period: Monthly interest payments

Term Out: Monthly principal and interest based on a 9-year full amortization, mortgage style loan payments.

Maturity: 10 Years

Fees: 0.50%; plus third party fees

Prepayment Penalty: Prepayment penalty will incur if loan is repaid with external funds (i.e. refinanced with another financial institution).

Option 1:

Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
5%	4%	3%	2%	2%	1%	1%	1%	0%	0%

Option 2: Portion of the then loan outstanding principal balance of the loan which is prepaid shall be multiplied by the rate of the prepayment penalty referenced in the following table.

Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10
4%	3%	2%	1%	0%	4%	3%	2%	1%	0%

Notwithstanding the above, the Borrower may make additional principal payments toward the then loan outstanding balance without incurring penalty for the sale and/or exchange of units in the Association. Borrower to provide the estimated final settlement sheet prior to payment.

Collateral: First-Priority UCC-1 filing on all assets of the Borrower including but not limited to all regular and special monthly assessments, accounts receivable, and books and records relating thereto.

Credit Agreement

Borrower to enter into a formal Credit Agreement for all MB facilities, which would include, but is not limited to the following financial and reporting covenants in addition to usual representations and warranties;

Financial Reporting (To be mutually agreed upon by Bank and Borrower)

- Annual CPA audited financial statement within 120 days of year-end

- Annual signed federal tax return within 30 days of filing
- Annual “aging” of assessments receivable within 45-days of year-end
- Receipt of Association “Reserve Study” at least every three years
- Proof of Property and General Liability Insurance annually

Financial Covenants (To be mutually agreed upon by Bank and Borrower)

- Borrower must maintain a Minimum Debt Coverage Ratio (“DCR”) of 1.15x, measured annually as of the end of the fiscal year.
 - DCR is calculated as follows: “Cash and Investment balances of Operating and Reserve accounts at beginning of period plus Cash Received from Members, and other Cash Received less cash paid for Operating Expenses plus all Interest Expenses divided by annual Principal and Interest Expenses plus Cash Paid for Replacement Expenditures not financed, measured annually as of the end of the fiscal year”
- Borrower must maintain a Minimum ending cash and cash equivalent balances to Ideal Reserve ratio (“Reserve Ratio”) of 30% measured annually at the end of the fiscal year.
 - Reserve Ratio is defined as follow: The sum of ending cash and investment balances of operating and reserve accounts divided by Ideal Reserve (Ideal Reserve is defined as 100% of funded reserves as per latest Reserve Study) for the period being measured.

Conditions:

Borrower shall furnish to Bank at Borrower’s expense the following items and documents prior to issuance of a final commitment letter. The following is a preliminary list of conditions which include, but are not limited to the following:

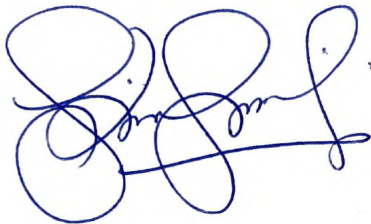
- Borrower to implement a special assessment for each unit based upon the total estimated loan, interest expense, and cost of loan payable over 10 years in monthly installment.
- The construction contracts to be reviewed and approved by Bank.
- Borrower to submit entity formation documents including entity formation documents for any sub-tier entities including but not limited to
 - Articles of Incorporation,
 - Bylaws,
 - Tax ID Information (IRS Confirmation Letter/W9 – if applicable), and
 - CC&Rs.
- Opinion letter by legal counsel certifying that HOA can borrow and pledge assets, and the board can enter into such agreements without the consent of the members (this is required if and only a loan commitment is issued by the Bank).
- Copies of recent board minutes including the following:
 - Appointment of the current board members and officers of the Association.
 - Approval to request a loan from Manufactures Bank.
- Historical CPA audited financial statements.
- Last three fiscal years Association’s signed federal tax returns.
- Evidence of Insurance - Property.

The above terms are based upon the preliminary information we have received. We expect to engage in further discussions with you and to obtain additional information and conduct further due diligence before deciding whether a commitment would be issued and what the terms and conditions of any such commitment would be. While this LOI may form the basis for a discussion on the proposed loan, we do not intend to be committed to make the loan unless we give you a written commitment. This LOI is private and confidential and by its receipt, Borrower agrees it shall not share this LOI nor the terms contained herein with other lenders/mortgage bankers/brokers. described herein may not be disclosed to or relied upon by any other party without MB's prior written consent.

We trust the terms detailed above sets forth a mutually acceptable financing arrangement, designed to accommodate your senior debt requirements. We would like to move ahead with our discussions with a view towards making a firm commitment. This proposal shall expire on **October 15 ,2022** unless prior to such time we receive an executed copy of this proposal letter along with a good faith deposit in the amount of **\$2,000** which shall be used towards any cost related to providing the Commercial Facility.

If you have any questions, please do not hesitate to call me at (213) 489 – 6095 or email me at ksim@manubank.com.

Sincerely,



Kimsea Sim, VP
Relationship Manager

Accepted and agreed to this _____ day _____ 2022.

By:

Loan Amount \$ _____



September 22, 2022

Stream House Community Association
C/O Powerstone Property Management
9060 Irvine Center Dr. # 200
Irvine, CA 92618

Conditional Letter of Interest

Dear Board of Directors;

On behalf of Pacific Western Bank. (Bank), I am pleased to issue this letter as an expression of our interest in formulating a loan facility for you. This letter is for discussion purposes and is only a proposal of general terms of structure and pricing. In no way should this letter be misconstrued as a commitment, a contract, an offer to enter into a contract, nor guaranty from the Bank, all of which would entail greater due diligence than we have conducted to date. Any actual loan terms that could be offered would be fully described in the Bank's loan documents.

For purposes of discussion, the Bank might consider the following:

Non-revolving Line of Credit convertible to a Term Loan

Amount: \$3,341,500.00

Purpose: To finance roofs, asphalt, patios, decks and lake maintenance

Interest Rate: During the non-revolving period
*Fixed Interest Rate of 6.50%**

During the term loan portion
Fixed Interest Rate of 6.50% 15-years*

**This rate is subject to change and may be held so long as the Applicant completes underwriting through to the level of loan commitment, by Bank's determination, by December 21, 2022 (approximately 90 days). Note: signed LOI and Loan Package need to be received by November 6, 2022.*

Fees: Commitment Fee of .25% (\$8,354.00), documentation fee \$500.00

Term: *16-years.* Up to twelve (12) months the loan functions as a non-revolving line of credit, then converts to a fifteen (15) year term loan fully amortized. Monthly payment approximately **\$29,432.00**

10-years. Monthly payment approximately **\$38,301.00**

5-years. Monthly payment approximately **\$65,875.00**

Prepayment

Penalty: 5%, 4%, 3%, 2%, 1% on term portion (only in effect if the association re-finances with another lender)

Collateral: First perfected security interest in all of the Association's personal property including but not limited to all current and future regular and special assessments, accounts receivable, and books and records relating thereto.

Other covenants & reporting requirements:

- Monthly "draw down" certification
- Annual CPA audited or reviewed financial statement due within 150 days of year-end
- Semi-annual "aging" of assessments receivable within 30 days of period end
- Annual tax return, with all schedules
- Semi-annual company prepared financial statement within 30 days of period end
- Association to maintain depository advance account with Pacific Western Bank
- Receipt of Association "Reserve Study" at least every three years

Loan Package:

Before Pacific Western Bank can issue a commitment letter, the following supporting data must be submitted to the bank.

- Articles of Incorporation, Bylaws & CC&R's
- Opinion letter from legal counsel certifying that the Association can borrow and pledge assets
- Minutes appointing the current board members of the Association
- Copy of three most recent Board of Directors meeting minutes
- Last 2-years Association tax returns
- Last 3 fiscal year-end CPA reviewed or audited financial statements
- Most recent company prepared interim financial statement
- Current aging of assessments receivable
- Current year and prior 2-years's budget
- Most recent Reserve Study
- Proof of insurance
- Project cost breakdown

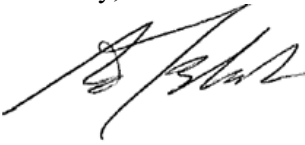
The above is intended to outline a structure, designed to accommodate your financing requirements. We would need to complete our due diligence work before making any decision. Therefore, if we have not received the following within **45 days** of the date of this letter, we will conclude that you are no longer interested in applying for a loan facility.

Signed copy of this Conditional Letter of Interest

Loan Package

We appreciate the opportunity to consider your request. We look forward to establishing a long and mutually beneficial relationship with your Homeowners Association.

Sincerely,



Walter J. Block
Senior Vice President
949-261-3570

*On behalf of **Stream House Community Association** the undersigned agrees and acknowledges that this Conditional Letter of Interest is not a commitment to lend on behalf of Pacific Western Bank.*

Dated: _____

By: Authorized Board Member