

NOTICE – DECEMBER 6, 2012

ATTENTION SADDLE RIDGE RESIDENCE OWNERS

SRPOA needs approximately \$50000 to finance our purchase of the lake lots at auction. The SRPOA board met to consider our financing options for this purchase. The board proposed to offer a self-financing opportunity to our residence owners in Saddle Ridge. This would provide an opportunity to invest in one or more shares of \$2500 at 6% simple interest for 2.5 years. The entire process is described in detail below. For timeliness reasons, we did not offer this opportunity to all property owners.

Self-financing for \$50000:

- Depending on interest by our residence owners we would do a lottery draw on Friday, December 14, 2012, to determine 20 residence owners who would purchase a share in the self-financing.
- If we had less than 20 residence owners interested in purchasing shares, additional shares would be offered to the interested parties by random draw of respondents who indicated they would like to purchase multiple shares.
- Interested residence owners would be asked to respond by e-mail to Scott Schehr at scottschehr@yahoo.com no later than **8 am Friday, December 14, 2012**, with the lottery draw held at the mail kiosk at **4 pm that day**.
- The funds would be due to Bill Harriman by check made out to SRPOA no later than **Friday, December 21, 2012**.
- 20 shares of \$2500 with 6% annual percentage rate simple interest.
- 2.5 years at 6% would cost \$4500 in interest the first 1.5 year, \$1500 in interest the final year. Total interest paid out would be \$6000.
- 50% of the principal plus interest would be returned after 1.5 years (on July 1, 2014) (\$25000+\$4500 = \$29500). First year returned to shareholder: \$1250 principal plus \$225 interest = \$1475 per share.
- 50% of the principal plus interest would be returned after 2.5 years (on July 1, 2015) (\$25000+\$1500 = \$26500). Final year returned to shareholder: \$1250 principal plus \$75 interest = \$1325 per share.

Obtaining a mortgage for \$50000:

- A \$50000 mortgage for 2.5 years at 6% interest would cost \$3968.38 in interest. We would have about \$1000 in mortgage related fees at closing. Our total cost for taking the mortgage would be approximately \$4968.38. Additionally, the interest rate on a land loan is more likely to be 7%-8%, which would increase the interest payout by \$700-\$1400.

Advantages of self-financing vs. mortgage:

- Costs more if mortgage is at 6%, but less if the interest rate on mortgage is above 7.2%.
- Interest paid is "kept in the family," not paid to a third party.
- Free and clear, no encumbrances on our property. Gives us ease and flexibility in selling our Oakwood lots.
- Increases feeling of partnership and "stake" in success of SRPOA for a number of residents.

With approximately \$10000 to \$12000 annually in new road fee revenue due to recent auction sale, SRPOA would be in relatively the same financial state in July 2014 as we were after paying off our previous mortgage on the Oakwood lots. We would be net positive after July of 2015, with all property free and clear. The Oakwood lots would be made immediately available for sale and carried on the books as an appreciating asset until they sell.