

Collings Lakes Civic Association  
Special Meeting 5/17/21 @7pm via Zoom

As you have probably heard by now, the CLCA has been approved for up to \$1,000,000 to help construct Cushman dam. Obviously, there will be many questions and opinions on this matter. I am writing to you in an effort to keep you informed and ease any concerns you may have.

When the new Board emerged after the Court ruling, we were advised to seek financing to help speed the process, and potentially ease the burden on residents as we rebuild/replace the dams within Collings Lakes. This, of course, was easier said than done. We learned very fast that banks simply didn't want to loan us money as we did not have suitable collateral, our accounts receivable was in disarray, and the taxes hadn't been filed during most of the court case. Here we are, three years later, and I am happy to say we have done a "180" in these categories. Now, having three years of tax returns, retaining a quality collection firm, establishing our accounts receivable procedures as well as hiring an outside CPA firm to review our books, we are in much better shape financially.

The Board has spoken with multiple banks over the last three years; some listened more than others, but all turned us down due to lack of collateral. Each time we were turned down, we were disappointed but we also asked many questions and continued to learn what we needed to turn this process in our favor.

Now, here we are.

The following documents are the parameters of the opportunity with Liberty Bell Bank, followed by a letter from our attorney who has been involved with helping us secure this line of credit. His letter was requested to give added peace of mind to concerned residents. This will also help clarify any false information floating around.

I truly believe this is a great opportunity to grow our community at a faster pace. Please join us on Monday if you have any questions.

Respectfully,  
Kyle Smith, President CLCA

Liberty Bell Bank, a Division of the Bank of Delmarva, ("LBB" or "Lender") is pleased to provide you with this commitment for a Construction Draw Down Line of Credit converting to Term Loan, subject to the following terms and conditions:

**Borrower:** Collings Lakes Civic Association

**Guarantor:** None

**Amount:** \$1,000,000.00

**Type:** Commercial Draw Down LOC to Term Loan

**Term:** 90-Months (6 months interest only then 84-months P&I; 7 year amortization)

**Rate:** 4.5% fixed for the first 60 months, then due on demand, floor of 4.5%

**Payments:** 6-months of interest only due monthly during draw phase, then 54-monthly payments of principal and interest of approximately \$13,930.93. Payment will reset when interest rate resets

**Collateral:** First lien on business assets, specifically including association assessments and related rights and receivables

**Loan Purpose:** Dam repairs and related engineering expense

**Requirements:** Borrower will use LBB as main bank of account for deposits



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May 8, 2021

Collings Lakes Civic Association

Re: Proposed Loan for Dam Construction

Dear CLCA Members:

As you are now aware, the Board of Trustees has obtained approval from Liberty Bell Bank for a construction loan for the dams. The obvious purpose of the loan is to extend the period of time that the Association has to pay for all of the construction costs so that it can keep the yearly assessments as low as possible. Remember that the Association is under a court order to complete the dams and, absent a loan, the Association would have to raise all of the construction costs (via increased assessments) by the end of the construction which is a much shorter period of time than is created by taking out the loan.

I have been asked to answer a few questions about the loan from a legal perspective. First, the Board of Trustees is empowered by the court order to seek financing for the dam project so this Board has the authority to enter into the loan without a vote of the community. However, the Board is doing the right thing by being completely transparent about the transaction, providing all of the financial information and loan information to the members before voting on the approval of the loan and giving each member the opportunity to voice their opinions and obtain relevant information.

The second question is based on concerns that the bank would have the right to place a lien or foreclose on individual member's properties if the Association defaults on the loan. That is NOT the case. The collateral for the loan is the Association's assets including the Association's accounts receivables (which is the assessments). If the Association were to default, the bank would have the right to collect the assessments directly and they could also foreclose on the Association property. However, the bank has no cause of action nor any claim against the individual member's properties.

I hope that this letter answers your concerns. It is not at all unusual for a community association to take out a construction loan when it is faced with a large, mandatory project like this. I have encouraged the Board to share all of the financials with you so that you will see that the Association can afford the loan payments without substantially impacting the current assessments. As I stated above, without the loan, it is likely that the Board would have to significantly increase current assessments which is a result no one wants to see. If the loan is approved by the Board, I will review the closing documents to make sure that they do not change anything that I have advised you here. Thank you for the continued opportunity to represent your Association.

Sincerely,  
HILL WALLACK, LLP  
*/s/ Gregg A. Shivers*  
Gregg A. Shivers