

# Geothermal Legal Action and Settlement Special Resolution Information and Q&A

## **What is this all about?**

The corporation has entered into a settlement with respect to the legal action against the developers for the Geothermal system. The settlement, \$1,125,000 in favor of the corporation is part cash and part discount on the present value of the geothermal system placed against a buyout of the long-term lease.

The long-term lease has approx. 16.5 years to run and will cost owners approx. \$5.7M over the remaining term with an option buy out and gain ownership only at lease end.

The settlement commits the corporation to buy out the lease and gain ownership today for approx. \$3.5M.

## **Where will we get \$3.5 million?**

Option 1) is to special assess every owner to raise the \$3.5M, which does not require ownership agreement

Option 2) is to borrow \$3.5M from a reputable lender, which does require ownership agreement

## **How much would a special assessment cost me?**

A special assessment will cost \$350 per unit factor, every unit has its own unit factor so every owner would be assessed based on their condos total unit factor count. There are 10,000 unit factors in the building so on average that's 20 unit factors per condo (10,000 units/500 condos),  $20 \times \$350 = \$7000$ .

## **Is the board going to special assess?**

It is the board preference NOT to special assess. The board would prefer to borrow, as per option 2 to buy out the lease and recommend this direction to all owners.

## **So why don't we just borrow the money?**

The board is legally unable to borrow \$3.5M and complete the settlement without the permission of the owners.

## **So what is this special resolution?**

The special resolution is the method to the board must follow in order to gain ownership approval to borrow \$3.5M as per Option 2 above, a positive special resolution will avoid a special assessment for every owner.

**What do I need to do?**

75% of ownership must approve the special resolution. By having every owner on title for your unit sign and return the special resolution you will avoid the need for a special assessment and enable the board to effectively convert the 16.5 year lease to a 10 year loan.

**OK I have some questions...****When will the loan be paid out?**

The loan has a 5 year term and a 10 year amortization, after 5 years we have the option to pay out the loan should funds permit, or as we expect, to continue for an additional 5 years and pay out over 10 years in line with the amortization.

**How will the corporation be handling the loan in regards to the condo fees?**

Loan payments will be made from our operating account, just as the current lease payments are made today. Lease payments, legal and significant engineering fees associated with running the geothermal system today under the current lease will cease.

**Will condo fees be going up due to this action?**

Condo fees will not increase this year due to the resolution of the legal action and taking out a loan in place of the lease.

**Are there any savings the corporation will make with this settlement?**

Yes, the settlement is worth \$1,125,000 today.

Over the length of the loan our total interest + principle payments will total approx. \$4.1M over 10 years. This compared to a lease of \$5.7M + buyout in 16.5 years will realize greater savings by the corporation over the long term.

**How will this impact my property?**

We see no negative impacts at all.

The legal action is settled and goes away; this will have a very positive impact on resale value for all owners within the complex.

The loan we have negotiated with TD is a straight loan to the corporation with the Geothermal system as security.

There are no additions or liens to your title with this loan; there is no change to you. The corporation will own the geothermal system as common property.

**Remind me again what I need to do?**

Please have all owners on the title for your unit sign and return the special resolution. We require 75% of ownership (that's over 375 units) to approve the special resolution, so please don't assume the resolution will pass without any action on your part. The corporation greatly needs your assistance to push this forward.

**When does this need to be done by?**

We require your completed and signed special resolution to be returned by Friday June 12<sup>th</sup> 2015.

**How do I submit my signed special resolution?**

Completed special resolutions can be handed in to Heather at the Gateway South Center site office, given to the volunteers who will be door knocking for resident owners, mailed to C-Era (Attn: Kari), or scanned and emailed to: [gscspecialresolution@shaw.ca](mailto:gscspecialresolution@shaw.ca).

**What happens if the special resolution is not passed?**

A special assessment call will be made to all owners following the last day of receipt of your special resolution; the special assessment will have to be paid within 30 days.

It is in every owner's best interest to read, review, sign and submit the special resolution to the corporation as quickly as possible. We thank you for your assistance in this matter.