

**SPRINGLAKE COMMUNITY, INC.**  
An Oregon Non-Profit Corporation

**MEMBERSHIP PROSPECTUS**

**April 7, 2014**

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**SUMMARY OF OFFERING FOR MEMBERSHIPS**

Springlake, a 55-and-older community, is owned by Springlake Community Inc., a resident owned and directed, nonprofit corporation. This nonprofit corporation is a mutual benefit corporation with members. Springlake Community Inc. (SCI) was formed on March 13, 2003 by the residents of Springlake Manufactured Home Park ("Springlake") for the purpose of acquiring Springlake on behalf of such residents. Articles of Incorporation were filed with the Oregon Secretary of State and Bylaws were adopted.

On September 16, 2003, SCI successfully closed on the purchase of Springlake. The purchase price paid for Springlake was \$6,600,000. The purchase was financed with a \$5,830,000 first mortgage loan from Column Financial, Inc., a subsidiary of Credit Suisse First Boston Corporation (the "Lender"). The balance of the purchase price and the transaction costs were covered by the sale of Memberships in SCI.

SCI is organized as a non-profit mutual benefit corporation. As of this date, all new prospective homeowners in Springlake are required to purchase a Membership in the corporation in order to purchase a home or place a new home in Springlake. If the new homeowner is purchasing a home in Springlake from a selling homeowner who also owns the Membership for the lot on which the home being purchased is located, then the new homeowner must purchase that Membership in conjunction with the purchase of the home. If the new homeowner is purchasing a home in Springlake from a selling homeowner who does not also own a Membership, then the new homeowner must purchase a Membership for the lot on which that home is located from the corporation.

**THE PROPERTY**

Springlake is a manufactured home community with 147 leasable lots for manufactured homes. The address is 51590 Westlake Drive, Scappoose, Columbia County, Oregon. Springlake covers approximately 35 acres. Springlake is located approximately one mile south of the central city area of Scappoose and is accessed from Highway 30, the Columbia River Highway, via High School Street and S.E. 6<sup>th</sup> Street. Highway 30 links Scappoose to St. Helens to the north and Portland to the southeast. Springlake is approximately 22 miles from downtown Portland.

Construction of Springlake commenced in 1986. The 43-space Phase I was built in that year; the 33-space Phase II was built in 1993; the 33-space Phase III was built in 1995; and the final 38-space Phase IV was built in 1998. The clubhouse was also built that year. The improvements consist of a clubhouse building (approximately

3,550 square feet in size), asphalt streets, concrete curbing/gutters, automatic pole-mounted sodium vapor street lights located along the streets, underground utilities, a recreational vehicle parking area, several green belt open spaces and two ponds.

Springlake receives utility services from the following providers:

- Electricity: Columbia River PUD.
- Water: The City of Scappoose provides domestic water and storm water service.
- Sewer: The City of Scappoose.
- Solid Waste: Solid waste removal is provided by Waste Management on a weekly basis.
- Cable Television: Supplied to each occupied lot by Comcast.

SCI maintains the improvements at Springlake with a reserve fund for such maintenance. Springlake residents pay for their own electricity and for garbage collection. Water, sewer, and basic cable television expenses are paid by SCI.

The Scappoose City zoning applicable to Springlake is MH-1, which allows for a manufactured home park with single family residences such as Springlake.

The average size of a lot for manufactured home is approximately 4500 square feet. There are no surveyed lines between manufactured home spaces in Springlake. The on-site community manager will identify for any prospective Member the boundaries of his or her prospective lot.

## **MEMBERSHIPS IN SCI**

There are 147 authorized Memberships in SCI. The number of Memberships equals the number of leasable manufactured home lots at Springlake. SCI has reserved and makes available a Membership for each lot at Springlake. The lot layout of Springlake with the lot numbers (which are the same as the Membership numbers) is attached hereto as Exhibit A. The owner or owners of each manufactured home on the lot are the only persons eligible to purchase the Membership for their lot. The terms and conditions of Membership in SCI are set forth in the Articles of Incorporation, as amended ("Articles"), and the Bylaws of the corporation, copies of which are attached as Exhibits B and C. The Articles, as amended, are on file with the Oregon Secretary of State. Purchase of a Membership makes that Member an owner in the corporation. The corporation will acquire, own, and operate Springlake on behalf of said Member and the other Members.

Membership entitles the Member to receive from SCI a Membership Certificate evidencing such Membership and a long-term proprietary Lease to the lot appurtenant to the Membership. A copy of the form of Membership Certificate is attached as Exhibit D. Membership also entitles the Member to participate in the

corporation including but not limited to election of directors who will manage Springlake as well as the corporation, all as set forth in the Articles and Bylaws.

### **PROPRIETARY LEASE**

Each Member of SCI receives a long-term Proprietary Lease for the manufactured home lot for which the Membership pertains. A copy of the Lease form is attached hereto as Exhibit E. The Lease provides that the Member will pay to SCI a monthly Maintenance Fee in the amount set by the Board of Directors. The Lease incorporates the Articles and the Bylaws into its terms and each Member is obligated to all of the terms, conditions, and covenants set forth in the Articles and Bylaws as they apply to Members of SCI. The Lease prohibits the use of the Lot for any purpose other than the location of the Member's manufactured home and accessory buildings for the exclusive use and occupation by the Member as the Member's residence. The Lease obligates the Member to maintain the Member's manufactured home and the Lot on which it is located in good condition and repair and in a clean and sanitary condition. The Lease also obligates the Member to comply with the Rules and Regulations relating to residency at Springlake as established by SCI. A copy of the current Rules and Regulations is attached as Exhibit F. Under the Articles and Bylaws, the Leases will be subordinate to any Deeds of Trust on Springlake securing loans to the mortgage lender.

### **TRANSFER OF MEMBERSHIPS, LIENS ON MEMBERSHIPS AND SUBLEASING**

Under the Bylaws, a Membership may be transferred by sale but only if the proposed transferee also purchases the Manufactured Home on the Lot connected to the Membership, accepts an assignment of the Lease and is approved by the Corporation for Membership. If a Member dies, the Bylaws provide that the Membership may be transferred to heirs or devisees if they otherwise qualify for Membership and residency in Springlake. Otherwise, the estate, heirs, or devisees of a deceased Member have up to eighteen months (or more if approved by the Corporation) without right of occupancy to sell the Membership and the Manufactured Home of the deceased Member so long as the estate, heirs, or devisees pay the monthly Maintenance Fee and other assessments.

The Lease prohibits a Member from subleasing the manufactured home Lot or the Manufactured Home located on such Lot connected to his Membership. No assignment or transfer of a Membership or a Lease or any interest therein may be made except as provided by the Bylaws and/or Lease.

### **SCI'S LIEN IN MEMBERSHIP**

Pursuant to the Articles, SCI always holds a lien on each Membership for any unpaid obligations of a Member owing to SCI. Normally, this lien is dormant but springs

to life if a Member defaults on any monetary obligation owed to SCI including but not limited to payment of the monthly Maintenance Fee. Thus, if a Member fails to pay the monthly Maintenance Fee, the lien is activated and SCI will not approve the transfer of the Membership to any new Member until all past-due Maintenance Fee payments are paid. This is an important way for SCI to assure it receives all Maintenance Fee payments owed.

SCI may subordinate this lien to any party financing or refinancing a Member's purchase of the Membership who takes a security interest in the Membership.

A Member may mortgage, pledge, hypothecate or encumber his Membership or his interest in the Lease for purposes of financing or refinancing his purchase of the Membership or the Manufactured Home on the manufactured home Lot connected to the Membership. The Bylaws provide that a default on such a membership lien also constitutes a default under the Lease. The Bylaws further provide a procedure for the foreclosure of a membership lien and sale by a secured party of the Membership of any Member who defaults in his obligations under any loan secured by his Membership. Under the Bylaws, if the secured party gives proper notices to SCI of its intent to foreclose on the membership lien, then SCI will abate any actions to terminate the Member's Membership while the secured party takes action to foreclose.

The Bylaws give the same types of protections for lenders who are secured by a chattel mortgage on the manufactured home of a Member. If the secured party gives proper notices to SCI of its intent to foreclose the chattel mortgage, then SCI will abate any actions to terminate the Member's Membership while the secured party takes action to foreclose.

## **MANAGEMENT OF CORPORATION**

Control of the Corporation vests in its Members. Every Membership is entitled to one vote at all meetings of the Membership. Meetings of the Membership are governed by the Bylaws. The Bylaws require an Annual Meeting and other meetings of the Membership as are necessary. The Annual Meeting will be held on the last Wednesday of October of each year.

Members elect the Board of Directors ("Board") to manage the affairs of the Corporation and Springlake. The Directors are elected at the annual meeting of the Members. The terms of these Directors will be staggered with three Directors serving three-year terms, two Directors serving two-year terms and two Directors serving one-year terms. Additionally, two non-voting alternates will be elected.

The Board elects officers to handle the day-to-day management of the Corporation and Springlake. The officers are elected at the annual meeting of the Board, which is held shortly after Annual Meeting of the Members. The officers of the Corporation are: President, Vice-President, Secretary, and Treasurer.

Thus, management of the Corporation and Springlake vests in the Board and the officers. The Bylaws also require regular meetings of the Board. Members may attend and participate in such meetings. The terms and conditions relating to the election of the Board and officers are set forth in the Bylaws. The office and address of the Corporation is the office of the on-site manager located at 51590 Westlake Drive, Scappoose, Oregon 97056.

The Corporation will be completely under the control of its Members. No other person has a right to control the Corporation or any property of the Corporation or any property that will be used by the Members.

If a list of the current Board Members and current Officers is not included with this Prospectus, then please ask for such a list.

### **PROPERTY MANAGER**

The Corporation has selected Commonwealth Real Estate Services as the property manager for Springlake. Commonwealth's offices are located at 18150 SW Boones Ferry Rd., Portland, OR 97224. The phone number is 503-244-2300. Commonwealth employs an on-site management team who live at 51590 Westlake Dr. Commonwealth collects rents, performs selected accounting duties, enforces the Rules and Regulations, handles notices and evictions (when necessary), assists in development of the annual budget, performs maintenance for common areas, markets vacant home-sites to manufactured home retailers and purchasers, and other duties as assigned by the Board.

### **ANNUAL BUDGET**

The Corporation anticipates revenues from the following sources: subscription of Memberships, assessments or Maintenance Fees paid by Members pursuant to their Leases, rent paid by Non-member Residents pursuant to their rental agreements with the Corporation, and interest income on funds held by the Corporation. Each year, the Board will prepare an annual budget which shall project anticipated revenues and expenditures. The proposed Budget will be mailed to all Members and then reviewed at a Board meeting. The Board will consider statements from the Members regarding the Budget, make adjustments and adopt a Budget. Based on the budget, the Board will set the amount of the monthly Maintenance Fee to be assessed against Members for the ensuing year. Upon adoption of the Budget, the Corporation will mail the final budget to each Member along with a statement of assessment of Maintenance fees for the ensuing year.

If an adopted budget requires assessments against Members in any fiscal year exceeding one hundred fifteen percent (115%) of the assessments for the

preceding year, the Board, upon written application of Twenty Five Percent (25%) of the Members, shall call a special meeting of the Members within thirty (30) days, upon not less than ten (10) days' written notice. The budget shall be reviewed at such meeting and a budget adopted by not less than a majority of the quorum present.

If at any time the Board finds that the assessment of Members for a current year is insufficient and that a financial emergency exists, then the Board can call a special meeting of the Members to consider a supplemental assessment. Such a supplement assessment must be approved by a majority of the Members present at such meeting.

If there is not a copy of the current budget attached to this prospectus please ask for a copy.

### **MORTGAGE ON SPRINGLAKE**

The current mortgage on Springlake Community (for \$4,700,000) resides with Genworth Financial and provides for a fixed annual interest rate at 3.9%. The mortgage has a term of 15 years and is amortized over 25 years. The mortgage will mature in August 2028 and SCI will be required to refinance at that time.

The annual Budget of SCI must provide for the timely payment of the mortgage payments due to the Lender. The Leases of members will be subordinate to the Deed of Trust given to secure the loan from the Lender.

### **MEMBERSHIP PRICING**

At present, the price of a Membership from SCI is \$16,000. This price is subject to change without notice. The price of a Membership when purchased from a Member (not SCI) will be that price agreed upon between the parties. SCI does not control the prices of Memberships sold by Members to third parties. However, all such purchasers must qualify for Membership in the Corporation as set forth in the Articles and Bylaws and are subject to approval by the Board.

### **COMMON AMENITIES**

The following amenities, facilities, and improvements are common to all residents of Springlake and available for the use of all residents as provided in the Rules and Regulations or elsewhere: roadways, Fred Winter Hall, and green belt open areas and the amenities contained thereon.

## **INSURANCE**

SCI will procure casualty insurance to cover all improvements at Springlake owned by SCI. However, such insurance will not cover the home of any Member or the improvements to the homes of Members including garages. Members must procure their own casualty insurance for their homes and improvements thereto. SCI will also procure liability insurance to indemnify the corporation from liability claims. Such insurance will be for at least \$1,000,000. Members should procure their own liability insurance as well.

## **MEMBER'S MAINTENANCE RESPONSIBILITIES**

Under the Lease, each Member is responsible to maintain his manufactured home lot in Springlake and to keep it in a clean and sanitary condition. The Member is required to comply with all applicable laws including laws regarding hazardous substances. The Member covenants neither to damage any property of SCI nor to permit any Member of his family or any invitee or licensee to do so. Other maintenance responsibilities are set forth in the Rules and Regulations.

## **OCCUPANCY REQUIREMENTS**

As provided in the Bylaws, at least one person in each household at Springlake must be 55 years of age or older. Unless given express written permission by the Board, no person living at Springlake can be less than 45 years of age. No person will be allowed to reside in Springlake which, because of such residency, there would be twenty percent (20%) or more of the residents in Springlake younger than 55 years of age. However, any person permanently residing in Springlake as of the date of this Prospectus shall be entitled to remain a resident even though under 55 years of age. Springlake now qualifies as a senior community for persons 55 years of age or older and it is the intent of SCI to maintain that classification under federal and state fair housing laws.

Notwithstanding the above, SCI will allow care-givers who do not qualify under the above requirements to live in Springlake where they provide care to Springlake residents who are unable to care for themselves. However, all such caregivers must register with SCI and pass a back-ground check.

All potential residents in Springlake, whether or not a homeowner and including a care-giver, must pass a background check. This background check will consist of what is standard practice for such background checks in the greater Portland metropolitan area in manufactured home parks and other rental housing. This check will include a check on the prospective resident's criminal history. For any potential resident who will be liable for paying maintenance fee or rent, the background check may also include a credit check and rental history.

Potential residents will be charged a non-refundable application fee and fee for background check.

Since SCI pays for water and sewer from maintenance fees and rents collected from members and Non-Member residents and since those maintenance fees and rents are based on the assumption that each household has no more than two persons, additional person fees are charged to households with more than two persons.

### **NON-MEMBER RESIDENTS**

The corporation acquired Springlake subject to the rental agreements of those homeowners in Springlake who did not purchase Memberships in the Corporation (“Non-Member Residents”). Such Non-Member Residents shall continue to rent their manufactured home lots in Springlake and shall pay a monthly rent at the amount set by the Corporation as permitted in the rental agreements. Non-Member Residents will be allowed full access to all common amenities, facilities and improvements but will not be permitted to participate at meetings of the Members or the Board except as allowed by the Members or the Board in their sole discretion. Rental agreements with Non-Members Residents shall be year-to-year tenancy. Any Non-Member Resident who seeks to sell his home in Springlake must sell to a person who purchases a Membership in the Corporation.

### **CANCELLATION OF MEMBERSHIP**

Each Member is obligated to comply with the covenants of the Lease and requirements in the Bylaws imposed on Members. One of the obligations of a Member is to comply with all the Rules & Regulations for living in Springlake. Of course, a primary obligation of each Member is to timely pay the monthly Maintenance Fee.

The Bylaws state in detail those acts by a Member which constitute a default of the Member of his or her obligations under the Lease and/or Bylaws. The following all constitute a default by a Member under the Lease: Non-payment of Maintenance Fee for two consecutive months, failure to correct a non-monetary breach of the Lease or Rules & Regulations after receipt of notice to correct the same, sale of a Membership to a person not approved by SCI for Membership, bankruptcy of the Member, conviction of a crime which endangers the safety and welfare of Springlake residents, outrageous behavior which jeopardizes the orderly operation of Springlake and the peaceful living of other residents, and default under any chattel mortgage or membership lien, resulting in foreclosure of the same. In the event of a default and a failure by a Member to cure the default, the Member’s Membership is subject to cancellation and the Lease is subject to termination by SCI.

Prior to canceling the Membership and terminating the Lease, SCI must give the Member a written notice of its intent to do so stating the grounds for cancellation and termination. The Member may request a meeting of the Board to review the

proposed termination. If no such request is received within 15 days, then the Membership shall be canceled and the Lease terminated.

If a request for a meeting is made, then a meeting shall be held as soon as possible and the Board shall hear the Member, who will be given all reasonable opportunity to show the Board why the Lease should not be terminated. After hearing the Member, the Board will render its decision which shall be written and delivered to the Member. The Board may set terms of probation for the Member and require that the member comply with such terms as are reasonable under the circumstances.

If the Lease is terminated and the Membership canceled, the Member shall surrender his Membership Certificate to SCI. Whether or not the Certificate is surrendered, the Membership is canceled and the Certificate thereafter is null and void. Upon cancellation of the Membership, SCI may issue a new Membership for the manufactured home lot previously occupied by the former Member. The new Membership shall be issued upon subscription for such Membership. SCI shall apply the proceeds of such subscription as follows: first, toward the former Member's indebtedness, if any, to SCI for unpaid maintenance fees or other indebtedness; second, toward any balance and expenses owing to a secured party of the former Member; and third, the surplus to be paid to the former Member. SCI is not obligated to sell a Membership for the manufactured home lot previously occupied by a former Member or otherwise make any attempt to mitigate damages.

Any Member who has a dispute of any kind with SCI is invited to bring his complaint or concern to the Board for review. There is no formal dispute resolution policy but every Member has the right to participate in meetings of the Board and the Membership.

## **RISKS**

SCI cannot and does not guarantee Members against risks related to the ownership of real property (Springlake) by SCI and the risks of Membership in a non-profit corporation. The value of Membership in the Corporation is subject to these risks and SCI cannot and does not guarantee any value to the Memberships. Each Member assumes all risks related to the Memberships. Risks assumed include but are not limited to:

1. Risks of adverse changes in general economic and local conditions such as excessive building resulting in an oversupply of housing or a decrease in unemployment in directly reducing demand for housing affecting the value of Springlake or Memberships in SCI.
2. Risk of adverse changes in general property values, zoning laws, hazardous substance laws, and other laws and regulations in affecting the value of Springlake or Memberships in SCI.

3. Risk of lack of attractiveness of Springlake or of membership in a cooperative to future prospective residents and Members and risk of lack of market for resale of Memberships.
4. Risk of competition by other existing or new manufactured home communities, whether rental communities or resident-owned communities or alternative housing.
5. Risk of SCI of procuring refinancing upon maturity of present loan.
6. Risk of foreclosure of any Deed of Trust encumbering Springlake if Co-operative fails to make timely monthly payments or otherwise abide by the terms of the loan secured by such Deed of Trust. The Memberships and the 99-year proprietary leases of Members are subordinate to any Deed of Trust encumbering Springlake to secure the repayment of any loan to SCI.
7. Risk of inadequate cash flow to SCI if some Members fail to pay Maintenance Fees in a timely manner or if Non-Member Residents fail to pay rent in a timely manner or if occupancy levels at Springlake decline.
8. Risk to Co-operative and Members if SCI fails to function because of conflicts between Members.
9. Risk to Member of restrictions on transfer of Memberships or cancellation of Membership if Member defaults under the Lease.
10. Risk of damage to Springlake by natural or manmade causes.
11. Risk of governmental regulations and requirements not now anticipated.
12. Risk of the deterioration of improvements at Springlake.
13. Closure of Springlake as a manufactured home park or sale of Springlake can only be done upon approval by a majority of SCI's Members. Because Springlake is operated by SCI on behalf of Springlake residents, SCI has no present plans to close Springlake. Furthermore, it has no plans to sell Springlake nor is it likely SCI will ever seek to close the community. However, even though remote, it is possible SCI could elect to close Springlake after some kind of natural or manmade disaster strikes Springlake or SCI could elect to sell Springlake because of an irresistibly high offer. In the latter case, profits from the sale would be distributed to the Members.

Any party purchasing a membership in SCI may not rely on any representation or express warranty unless it is contained in this prospectus or made in writing signed by an authorized officer of SCI.

This prospectus is only a summary of some of the significant aspects of purchasing a membership in SCI. Its corporate documents are complex, contain other important information and create binding legal obligations. You should read them carefully. You should also consider seeking the assistance of legal counsel.

A manufactured home may be removed from Springlake by its owner. However, any such removal does not terminate the homeowner's obligations under the proprietary lease or rental agreement. Removal of the home must be done in accordance with state law, Springlake's Rules & Regulations, and any instructions from Springlake's on-site manager to as minimize inconvenience or hazard to other Springlake residents. Upon removal of the home, if the homeowner is installing a new home, then the manufactured home lot must be restored by the homeowner to the same condition it was in before installation of the home, unless different arrangement are made with SCI.

Residential co-operatives are exempted from the Oregon landlord/tenant statute set forth in Oregon Revised Statutes Chapter 90. Therefore, the proprietary lease between SCI and a member is not governed by that statute. The rights of a member will be governed exclusively by SCI's Articles of Incorporation, as amended, SCI's Bylaws and the Proprietary Lease. Any rights accruing to Lessees under ORS Chapter 90 will not accrue to a SCI member.