

Stoneybrook East A Golf Community

February 17, 2009

Special Meeting of the Board of
Directors

Introduction of the Board Members

- President John Santaniello
- Vice President Darin Stewart
- Treasurer Mark Krush
- Secretary Damon Patai
- Public Affairs Tony Gregory
- Gates John Bunke
- ARC Allan Gelb
- ARC Karen Miller
- ARC Terry Theret

Overview of Tonight's Events

- We are all in this together
- Cash flow problem not a budget problem
- How did we get here
- Delinquent dues discussion, aggressiveness of the Board's collection policies to increase cash flow
- Why we put a dollar range on mail out versus a fixed number
- How many people haven't paid as of this meeting
- Actions taken to minimize Special Assessment
- Public Math
- Questions Asked
- Questions and Answers with discussion
- Board Resolution

We Are All In This Together

- We are residents just like you
- We are just as upset about this situation as you
- We will likely run out of operating cash mid March
- We as a Board are obligated to come up with the solution
- These are hard times and we get that
- This has been the most trying year in Stoneybrook's history... foreclosures, decreased revenue, increased expenses, etc.
- Your Board is actively engaged and doing its best to stay out in front of these issues
 - Why? Simple...to keep our home values as high as possible and maintain the standards that we as homeowners bought into

Cash Flow Versus Budget

- We have an immediate cash flow problem
- The immediate need for cash cannot be entirely cured with budget cuts – we cannot “save our way” out of the problem

How did we get here?

- In 2008, delinquencies more than doubled
- In 2008, foreclosures more than doubled
- Previous years' delinquencies were manageable

Collection Policies

- Your Board aggressively instituted new collection policies back in May of 2008
- Your Board continues to monitor and make adjustments as necessary

Why The Range Vs. Fixed Number In Special Assessment Letter?

- We wanted to wait as long as possible to see how many homeowners paid their dues
- For everyone that pays, the amount of the Special Assessment is reduced

So How Many Have Not Paid

- Approximately 131 homes have not paid as of today
- 58 homes are in foreclosure (more than doubled in 2008)
- Approximately 91 homes have a past due balance that exceeds \$500.00 and have been sent to our attorney

Actions Taken to Minimize Special Assessment

- Working the Revenue side hard since last Summer
 - Implemented stringent collection Policies
 - These collection policies have been very effective and have netted **\$278,000** since implementation
 - Switched Law firms to aggressively pursue delinquent accounts including foreclosures
 - Additional efforts from our staff to personally contact residents generating **\$42,000** in the past several weeks
- Working the Expense side even harder
 - Cut operating expenses last October by \$50,000
 - Kept overall dues increase under 4% (less than inflation)
 - Lowest dues increase ever since turnover

(continued...)

Actions Taken to Minimize Special Assessment (continued)

- Board has identified additional potential expense reductions of approximately \$60,000
 - Activities Committee—reduce significantly
 - Reduce Sheriff Patrol hours
 - Reduce Flower Rotations
 - Looked into perennials but more expensive than rotations
 - Reduce the number of flowers planted
 - Decrease hours of operation for Fitness Center
 - Delay hiring part-time Assistant
 - Will significantly increase staff workloads caused by aging of community

So Where Does That Leave Our Community? Public Math

- We have a past due balance of **\$194,000**
- We have 131 homes that have not paid and probably will not pay in time (3Q * \$388.80 = **\$152,798**)
 - All are at the attorney for collections/foreclosure
 - 58 homes in foreclosure
 - Three are on hardship payment plans and are paying
- That gives us a past due balance of **\$346,798**
- By actively managing 2008 expenses, created a surplus of **\$40,000**

So Where Does That Leave Our Community? Public Math (continued)

- $\$346,798 - \$40,000 = \$306,798$ Cash shortfall
- Additional expense reduction opportunities $\$60,000$
- $\$306,798 - \$60,000 = \$246,798$ Cash shortfall
- 1357 homes – 131 in delinquencies = 1226
- $\$246,798 / 1226 = \201.30 per home
- Contingency for increased delinquencies
 - Addt'l 13 homes going forward (10% X 131 homes = 13)
 - $388.80 * 3 Q * 13 \text{ homes} = \$15,163$
 - $\$246,798 + \$15,163 = \$261,961$ expected cash shortfall
 - 1357 total homes – 131 delinquent homes – 13 more delinquent homes = 1213 timely paying homes
- $\$261,961 / 1213 = \215.96

Questions Asked

- In these next couple of slides we are going to answer several questions that have been recently asked of the Board
- Following these slides we will have a Q & A discussion

Questions Asked

- Why can't we replace flowers with perennials?
 - Answer: The upfront cost would be more than the entire year of annual rotations. Since we are short of cash, we cannot afford to do this at this time. We have reduced the number of flowers and rotations in order to cut costs
- Just don't plant anything?
 - Answer: That is not the standard homeowners bought into
 - It would still have to be maintained for weeds
 - Aesthetics of a neighborhood affect house values, culture, and crime.

Questions Asked

- Why can't we shut a gate down?
 - Answer: Vandalism and proven deterrent to crime
 - A lot of high dollar equipment is in each gatehouse
 - Previous damage to gates significantly outweighs the cost savings
 - A staffed gate deters crime
 - Just outside our gates are numerous crimes including burglaries, attacks, home invasions etc...we are not immune but the staffed gates help
 - Feedback from Orange County reflects that crime inside our gates is significantly less than outside
 - When this community was devolved, US Homes did not staff the gates 24/7. There was a high level of unhappy residents that repeatedly complained
 - They bought into a gated community with the expectation of 24/7 gate attendants
 - As a result, we now have 24/7 gate attendants

Questions Asked

- Will we get the money back if you don't use it all?
 - Answer: Absolutely! It will be kept in a separate bank account for this very reason
 - After the end of this year, any remaining funds will be returned to those having paid the assessment

Questions Asked

- How about we start charging for community events?
 - Answer: most of the events usually came with a minimal charge anyway to help defray the cost
 - Future events will likely have an increased charge
 - The Activities Committee has dissolved for lack of volunteers as of this date
 - Any future events will fall on our staff and is a real shame

Questions Asked

- How about we start charging people to use the Fitness Center?
 - Answer: We do, its called their Homeowner Association Dues
 - We can't charge extra to use amenities that are already covered by the HOA dues

Questions Asked

- Have you considered not putting up all the Holiday decorations?
 - Answer: Depending on where we stand toward December this is an option
 - It is not a significant savings since we already own the decorations but it would be a labor saving event

Questions Asked

- Have you looked at cutting back on the mowing schedule?
 - Answer: We have already incorporated a reduced mowing schedule during the fall and winter months
 - Cutting back on mowing further than this would cause the common areas to have an uncared for appearance

Questions Asked

- Why do we need Sheriff Patrol?
 - Answer: Pedestrian and child safety and crime deterrent
 - Officers have confiscated a sawed-off shot gun, knives, drugs, and other items in our community and have prosecuted the offenders
 - Decreased drug activity and vandalism at our recreational fields
 - Made arrests here for prostitution, assault of an Officer, and a home invasion committed in a nearby community

Questions Asked

- Why can't we use the Reserve Funds to cover the cash shortfall?
 - Answer: Reserves are required by our governing documents and Florida Statutes for the future repair and replacement of the community's infrastructure
 - It would impede the Association's ability to repair/replace infrastructure within the timeframes established by our engineer's reserve study
 - It is deficit spending
 - Repayment burden falls to future residents
 - A Special Assessment properly places the burden of repayment on the currently delinquent homes rather than future homeowners
 - Irresponsible

Questions Asked

- Why can't HBL pay us in cash versus building the addition to our Fitness Center?
 - Answer: Our contract does not provide for a cash incentive
 - It would be short sighted to give up the long term enjoyment and property value enhancement to over a thousand homeowners for decades to cover the current bad debt of 8-11% of the community

With The Audience

- We have tried to lay out the facts as best we can
- So it's time for:

Q & A

Protocol for Q & A

- Everyone who wishes to ask a question or make a comment should have filled out a form and given it to our management staff prior to this point
- We will arrange questions by topic and then select the names randomly within the topics
- Each person will be given THREE minutes to address the Board
- Once you have asked your question, the Board will give a response and then select the next resident
- These procedures are put in place to allow everyone the opportunity to be heard
- We appreciate your cooperation and the respect of your fellow resident's time