HOA PRESIDENTS' INFORMATION SHEET – FEBRUARY 2020

PRESIDENT'S REPORT:

Several major events tied to the eventual transition of GHCA transpired during the past few weeks and we think it would be useful to list them chronologically so that all HOA Presidents and their residents can better follow the steps that occurred and understand where we are today. Here is the recap.

January 20, 2020: The President of Grand Harbor and of GHCA, Chris Card, issued a memo to GHCA Voting Members announcing an upcoming GHCA Board meeting to consider amending the 2020 GHCA budget via a dues increase to members so as to start collecting reserves.

January 27, 2020: The LLC Board of Managers assisted the HOA Presidents in the preparation of a letter to Chris Card stating the Voting Members objection to the use of road reserves and the cash received from Comcast to pay for the repair of the failed bridge on East Harbor Village Drive. The Voting Members also objected to the proposed attempt to amend the 2020 GHCA budget to start funding reserves. Almost all HOA Presidents jointly signed the letter.

January 29, 2020: Chris Card issued a memo postponing indefinitely the proposed GHCA Board meeting which had been set for February 3, 2020. He said his attorneys disagreed with our interpretation that the Declaration of Covenants does not give the Board authority to amend an approved budget nor to impose a dues increase without a vote or written consent from the Voting Members. Nevertheless, he called off the GHCA Board meeting.

February 3, 2020: With the Board of Managers having completed all the preparatory work and all the necessary documentation regarding our transition claims, I met privately with Chris Card to give him a personal advance review of our Executive Summary and the Remediation and Reserve Tables.

February 4, 2020: Our LLC attorneys delivered to the Developer's attorneys all the reports and documents relating to Kimley-Horn's engineering inspections, assessments and analyses, as well as a series of financial reports and claims prepared by the LLC Finance Committee.

February 7, 2020: The LLC Board of Managers issued a Major Announcement to all HOA Presidents for distribution to all Grand Harbor and Oak Harbor residents detailing the full set of documents that were delivered to the Developer, and at the same time invited all residents to visit the new LLC website: (GHOHLLC.com) which contains full documentation of the preparatory work and the claims that were issued to the Developer. HOA Presidents were also asked to attend a meeting with the Board of Managers to be held at Oak Harbor on February 27, 2020 and to solicit questions from residents in advance of the meeting.

As a next step, our respective attorneys will arrange a joint meeting between Chris Card and LLC Board Members to discuss how the Developer plans to address the issues. I can tell you that Chris and I had a preliminary discussion two days ago, and he said they are taking the issues seriously and they have engaged experts to look into the major asset areas where we have claimed Remediation (repair and/or replacement) prior to transition.

You will read in the Engineering Committee Report below that our claims for Remediation ($14 million) are significantly higher than our claims for Reserves ($3 million). Most of the Remediation claims relate to bodies of water (the estuary and the storm water management system including our network of ponds) that do not meet the conditions required by the original operating permits issued by the regulatory agencies that oversee them. As always, there is a lot of information in our Engineering Committee Report this month, but reading it carefully will help you understand the key aspects of our claims.

TREASURER'S REPORT:

Since 2019 LLC financial reporting is now closed we will only be covering 2020 cash flow in this report for the rest of this year.

In 2020 so far we have had legal and engineering expenses totaling about $23,600. We have $101,500 in the bank and $35,000 in prepaid legal retainers to fund our continued due diligence and transition. We believe that may be sufficient unless the Developer responds aggressively to our claims and unforeseen additional engineering consultation or legal/litigation work is required. Below is the 2020 year to date cash flow statement.

CURRENT CASH POSITION:

Beginning 2020 Cash Balance:	$125,197
Engineering Expenses:	6,120
Legal Expenses:	7,519
Litigation Counsel Retainer:	10,000
Total Expenses:	$23,639
Ending Cash Balance:	$101,558

LEGAL COMMITTEE:

We have been working with counsel to assess the Developer's reaction to our submission to it and to its counsel, while also starting to broaden our focus to include the procedural and administrative matters to be accomplished in advance, thus allowing a smooth transfer of control at the time of transition.

These include any necessary changes to the Declaration of Covenants and to the by-laws of GHCA, a nomination process for the new Board post-transition, and related matters. At the same time, we have identified and retained experienced litigation counsel in Vero Beach who is familiar with local courts and judges. Until we know the Developer is going to deal fairly with the issues that we have presented we need to be prepared to vigorously enforce GHCA's rights.

ENGINEERING AND ASSET EVALUATION COMMITTEE:

The Condition Report from Kimley-Horn was reviewed by legal counsel and an executive summary was written for inclusion with the KH report. This report, with the calculation of costs either to repair items or to replace them now (Remediation Table); the calculation of reserves required for future repairs and replacement as of December 31, 2020 (Reserve Table) and claims to recover funds from the Developer on behalf of GHCA for the bridge repair and the pond pipe cleaning were included in a letter sent to the Developer to begin the next phase of our transition. All of this can be found in the "Claims" Section of the LLC website: ghohllc.com.

We are claiming that the Developer needs to do about $14 million of repairs and replacements now; needs to fund GHCA reserves prior to member takeover for about $3 million, and needs to reimburse GHCA about $660,000 for the bridge repair and pipe cleaning. About $13 million of the remediation claim is associated with bringing the estuary and the storm water management system up to the conditions required by the Conservation Easement and the permits that GHCA is responsible for. These claims are a bit different from the normal wear and tear claims on the other assets GHCA maintains.

There are conditions specified in both the Conservation Easement (estuary) and in the operating permits for the ponds and other storm water management systems that are enforceable by regulatory agencies. We have not contacted these agencies to ask for a review of compliance, but if they were to do an audit they would find the deficiencies we have flagged in the condition report. The Developer has failed to keep these items in compliance and they must be returned to the proper state prior to residents taking responsibility for GHCA liabilities.

Please note that the reserve claim ($2.9 million) is much smaller than the replacement value ($19.5 million) of the assets we reviewed. The reserve claim is that low because we are asking the Developer to fix now some items that are past their economic useful life (the recycled water reservoir) or are not compliant with regulatory requirements (the estuary). If these remediation claims are not agreed to we will need to seek additional reserves from the Developer to compensate. The new GHCA Board in 2021 will need to evaluate this list of reserve items and decide how best to start accumulating additional reserves to cover future replacement costs through the normal budgeting process.

The Engineering Committee has collected a very large trove of documents about the history of Grand Harbor and Oak Harbor. We have posted some of those documents on the GHOHLLC.com website. Among them you will find aerial photos of the community going back to 1984, prior to the start of construction. In addition, there are all the plats, deeds and permits related to GHCA responsibility. There are also three summaries for general knowledge that the committee has written. One covers the storm water management system and how it works; another describes all the permits for which GHCA has responsibility, and the third one details how the estuary came into being and how it functions. These documents, the actual permits and the easement can all be found in respective pages of the Asset Review section. Lastly, you will find the KH Condition Report and the Remediation and Reserve Tables in the "Claims" section of the website.

Our Kimley-Horn partners have done a great job conducting the visual inspection and documenting the deficiencies we are asking the Developer to fix. They have also given us a good understanding of the reserves we should have in place. Our contract with KH ends with the delivery of this report and a future meeting or two with the Developer's legal and engineering teams as we begin negotiation of the turnover agreement. We believe we have sufficient evidence to back up all the claims we have made and we do not anticipate needing extensive engineering consultation in this next phase. However, if the Developer mounts a significant challenge to these findings, we may need to retain KH to assist us.

FINANCE AND ACCOUNTING COMMITTEE:

The Finance Committee has submitted to the Board a detailed report on the Committee's findings after an extensive review of the financial information submitted to us from the Developer. Included in this report were several issues that will be pursued by the Board and our attorneys. In addition, the Committee is in the process of interviewing potential accounting firms, one of which will be engaged to review our work and to provide further professional assistance as required, including expert support in turnover activities.

OPERATIONS COMMITTEE:

The Operations Committee has finalized and circulated to the LLC Board for review a "Request for Proposal" document. This document was created to initiate the process of selecting a third party Property Management Company for GHCA to take over that role from the Developer's staff at transition.

The Committee is currently developing a list of potential candidates for the Property Management Company solicitation. We are also drafting the specifications for a stand-alone insurance program for GHCA.

The current LLC Board's policy for Director's and Officer's Liability insurance was renewed for 2020 at a cost of $2,883, an increase of $157 from the expiring premium.

FINAL NOTE:

We will close with a reminder to HOA Presidents to please attend the upcoming meeting with the Board of Managers in the Oak Harbor Card Room on February 27 from 3-5 pm. In advance of the meeting please forward to us any questions that you or your homeowners might have for the Board.

With the delivery of our findings and claims to the Developer we are passing from one phase of the transition process to another and now is the best time to get all your questions answered. Please remember that we can only permit the HOA President or a substitute to attend the meeting. We look forward to seeing you then.

Jeff Caso
President, on behalf of the Board