

SEA PINES HOMEOWNERS ASSOCIATION

Brewster, MA 02631

February 15, 1982

Dear Homeowners,

This is a follow up to our managing agent's letter of February 2, 1982 in which our present financial situation was outlined.

On Saturday, January 30, 1982, our Facilities Management Board approved a budget of expenditures totaling \$235,000 for 1982 and voted, unanimously, to increase monthly fees 10% effective March 1, 1982 and voted two special assessments of 15% of the new annual fees, the first due by May 1, 1982 and the second assessment due by July 1, 1982. Our Facilities Management Board took these actions only after a very careful study of all the facts. The Board believes that to have done anything less at this time would have been irresponsible.

The following will attempt to explain the results of operations for 1981 as compared to budget and why the increased fees for 1982 are necessary.

Enclosed, with this letter, are financial highlights for the 1982 budget and the 1981 results of operation. The 1982 budget is based on decisions reached by the Facilities Management Board on January 30, 1982 and the 1981 actual results are based, principally, on the auditor's report which will be available no later than our scheduled annual meeting in May. All the amounts in the financial highlights have been rounded off to the nearest thousand.

1981 Results of Operations

Revenue for 1981 exceeded expenditures by \$4,000. However, correction to certain sewerage problems were deferred and saved \$5,000. In addition, we were not able to build up reserves as planned to handle deferred maintenance items as they might arise in the future. Regular operations showed a savings of \$8,000 from budget. In the electrical area, we were able to save \$3,000 for electrical costs due to lower usage and the benefits of conversion to residential rates for metering common areas rather than a commercial rate. Savings of \$2,000 were attributable to the fact that we did not have a pesticide program for the elimination of grubs and turpentine beetles last year. There were lower payroll costs due to the use of less temporary personnel during the summer months.

The cost of our correction and complaint program with Corcoran, Mullins and Jennison, the Sea Pines developer, totaled \$25,000, of which \$18,000 was incurred in connection with the lawsuit and \$7,000 on correction of deficiencies. The \$5,000 of costs associated with the start of the sewerage correction program was deferred to some future date.

\*(Draft Report)

We did not plan any programs associated with deferred maintenance items in 1981. Deferred maintenance would normally include the larger cost maintenance items such as repainting exterior of units, repaving road surfaces, and the like.

#### 1982 Budget

Expenditures for 1982 have been budgeted at \$235,000, including \$10,000 reserved for certain drainage control problems and sewerage problems, if the need to start correcting these problems cannot be deferred to a later date. Budgeted expenditures are up \$69,000 from 1981 results of operations.

Costs associated with the correction and complaint program related to Corcoran, Mullins and Jennison are budgeted at \$68,000, up \$43,000 from 1981. This program is detailed in the attached financial highlights.

An increase of \$16,000 relates to repainting the exteriors of 32 units in the Friendship and Hollow areas. This repainting is part of a program to repaint all Sea Pines units over a four year period.

Costs of regular operations will show a \$10,000 increase, or about 7% of our 1981 actual. The Town of Brewster has agreed to absorb costs of plowing certain streets at Sea Pines. However, savings effected here will be offset by a planned pesticide program of \$2,000 associated with grub and turpentine beetle control and general increased costs due to inflation.

By the end of 1982, our total reserves (fund balances) of \$48,000 will be \$20,000 less than reserves at the end of 1981. In my opinion, these reserves should be much higher to anticipate the cost of a much larger painting program scheduled for 1983, '84 and '85. We are hopeful that the proceeds of a successful lawsuit with Corcoran, Mullins and Jennison will not only attend to the costs of correcting the numerous deficiencies they have left us - that have to be done but are currently being deferred - but will also rebuild our reserves to a more adequate level. Currently, our reserves are being depleted because of corrective action that is essential for this year and cannot be deferred. The capping of all chimneys at Sea Pines and refinishing some chimneys in Phases I and II, which will cost \$30,000 in 1982, is vital to prevent further deterioration of all chimneys at Sea Pines and to eliminate the eyesore of improperly finished chimneys.

#### Lawsuit

Our lawsuit with Corcoran, Mullins and Jennison is presently in the pre-court stage and our complaint, first filed with the courts in 1980, has been amended to include more deficiencies noted in the engineer's examination of last summer.

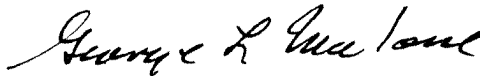
Lawsuits are expensive and take a considerable amount of time to obtain a remedy. Our attorneys believe we have a very strong case and hopefully, settlement proceedings in court will start in late 1982. On the other hand, we are willing to settle out of court if a reasonable offer is made. Offers made, to date, are under 10% of our claims for deficiencies. Legal and engineering costs are budgeted at \$20,000 for 1982 as compared to actual costs of \$18,000 for 1981. These amounts, over 151 units, average \$132 per unit for 1982, compared to \$119 per unit for 1981.

Other

I am hopeful that this letter and the attached material will explain the need for an increase in fees. A detailed audit report will be available at the annual meeting. No one wants to increase fees but we are faced with the reality of rising costs, the costs associated with correcting those developer deficiencies that can no longer be delayed, and the costs of a lawsuit which, I am confident, will bring some positive relief in the future.

On behalf of the Facilities Management Board, I express my thanks to all homeowners for your patience and for your input on these matters, whether they be complaints or suggestions for improvement. The Facilities Management Board and the Phase Board members are your elected representatives and act on what they believe is in the best interest of all of us.

Sincerely,

A handwritten signature in cursive script that reads "George L. Malone".

George L. Malone, Chairman  
Facilities Management Board

Financial highlights attached.