

LETTER FROM THE PRESIDENT

October 2015

Summer House Owners:

Here are the highlights of an intense work period at Summer House, and an overview of near-future plans.

HardieBoard Project

While we have to be cautious about generalizing from our experience with a single building, the damage to the framing of Building 16 does not appear to be as extensive as most of us anticipated. Nonetheless, there is a material amount of water intrusion damage, and we are having to replace a significant amount of ThermoPly [water vapor barrier underneath the HardieBoard]. While our total costs on Building 16 are still not known, we have reason to believe that they may come in somewhat below our worst case projections. Our experience with our architect and contractor, as expected, has been smooth. The residents of Building 16 have been cooperative and understanding, a tribute to the detailed communications efforts of our Staff. The rain, though, has delayed our timeline.

Upon completion of Building 16, the Board will probably choose to reconstruct the exteriors of two buildings at a time in order to capture significant price discounts available on the expensive material inputs for this project. Stay tuned for more information in the near future.

Re-Pipe

As of this moment, there are only 2 buildings on the Golfside that have not been re-piped. When those 2 buildings are complete within the next 60 days, we will have expended more than a year on this project. At the same time that we can feel accomplished about the completion of this major [and desperately needed] project, more plumbing work remains.

Recently, the pace of slab and other leaks on the Beachside has accelerated, and while the severity of the plumbing deterioration on the Beachside is not as advanced as it was on the Golfside, the Beachside nonetheless has copper pipes in slabs that are beginning to fail. The time to address this issue is now. These problems will become more numerous, destructive and expensive over time. We are hopeful that we will have sufficient Plumbing Reserve funds at the conclusion of the Golfside project to replace all of the HOA's interior cold water delivery lines on the Beachside with modern, durable materials. Consideration of this project will be one of the several important decisions that will be made at the next Board meeting in October.

Golfside Color Project

In accordance with the detailed proxy solicitation procedures previously approved by the Board, the Staff is currently contacting owners by phone and email to ensure that everyone's voice is heard in this matter. Please join us at the Board meeting scheduled for October 26 at 6pm for the announcement of results.

Minor Construction Projects

Although they do not attract the attention of many residents, we undertake a number of small construction projects that are necessary to repair our infrastructure and enhance the property. Recently, we completed the replacement of the impaired wooden walkway on the Shoreline bridge with an attractive paver walkway that will be more serviceable and durable. A number of sidewalks have also been repaired, and more sidewalk repairs are scheduled. We continue to custom build HardieBoard exterior shut-off valve covers for every building on the Golfside in order to prevent the premature deterioration of those plumbing terminals [every single shut-off valve has been permanently tagged, as well]. Extensive tree trimming is underway. Additionally, we have made a number of repairs to underground Beachside water service delivery lines. We also have drainage improvements in the planning stage.

Many repairs and improvements, such as those water service line repairs, are invisible to the eye but vital to the proper functioning of our infrastructure. In many cases, they are expensive, too. Often, there is a trade-off between cost and timing on minor repairs and improvements, and the Board has encouraged the Staff to obtain multiple bids on many of these projects in order to maximize the financial resources available to us. Sometimes that procedure takes a few extra days, but we endeavor to be good stewards of HOA money.

Vendor Reviews

As we prepare for the annual budget cycle, the Staff is in the process of evaluating the cost and the quality of the service delivery levels of virtually all of our vendors. Rest assured that incumbency and the convenience of contract renewal will not be substituted for performance value. The most visible vendor to our owners, our landscaper, has been subjected to detailed oversight and evaluation over the last few months, and our Staff has been and is currently engaged in developing ideas to enhance service quality in that important area of maintenance.

A Word about the Board's Strategy

The real estate crash was devastating to homeowners everywhere, but it was exceptionally hard on Ponte Vedra in general and Summer House in particular. While blame is easily tossed around, the fact is that the damage was done and our focus now should be on recovering that lost value.

Our present Board, charged with the responsibility of navigating the myriad problems caused by the crash, represents an enormous reservoir of real estate experience and has charted a course to recapture property values at Summer House. Our strategy is not complicated; its execution is incredibly difficult, however. Summer House is an unusually large property that marries the disparate needs and challenges of two very different developments. Because of the complexities that accompany the management of over 60 structures with varying construction values, maintenance needs and neglect levels, the turnaround is and will be an arduous process.

Our strategy, to eliminate the multimillion dollar deferred maintenance issues [which will devastate the finances of the HOA if not addressed *now*] and reconfigure the operations and finances of the HOA to secure a stable course for the future, is working. But it's not as quick as everyone, including me, wants it to be. Nonetheless, our strategy is beginning to pay obvious visual and operational dividends. Several are noted in this letter.

A Word about the Role of the Board

When I talk to owners in the community, I observe a certain level of underlying confusion about the boundary between the responsibilities of the Board and the responsibilities of the management company, and I don't think that confusion is the owners' fault. How this came about doesn't matter.

The role of the Board is to set policy guidelines for the maintenance and business operations of the HOA, ensure the availability of sufficient funds to execute those operations and promote the enforcement of the governing documents through its power to create rules and regulations for the community. It is not the role of the Board to administer those guidelines. When you see something on the property you wish to bring to the attention of the HOA, please ask yourself: does this issue present a question of strategy or execution? If it's a repair, maintenance, rule enforcement, payment or other administrative problem, ask the Staff about it in a civil manner. They will help you.

This Board is focused on stabilizing this property, but our emphasis on change has upset a few apple carts along the way. For example, everyone wants the rules enforced and doesn't want the property to look like an abandoned Motel 6, but some owners don't want the rules enforced against them or their tenant. Everyone is outraged by the thought of rats in Summer House buildings, but many are equally outraged when the HOA enforces rules against providing food sources that attract such vermin. If you have a concern about the efficacy of or reasoning behind a rule or a suggestion about policy, it's the Board's job to listen.

Building a Staff

Irrespective of the Board's understanding of the needs of the property or the wisdom of its strategy, nothing happens without the Staff. And the Board's strategy is only manifest to the extent the Staff executes it. As you may know, we have experienced significant personnel turnover during the last year. The bad news is that this has, at times, disrupted our service levels to the owners and the property. The brutal fact is that it is very difficult to hire and retain quality personnel in any business or operation these days.

The good news is that we now have a stable, extremely high quality Staff. This is not lip service or wishful thinking. Let's give these experienced professionals a chance to dig in and re-work some of the management and operational systems at Summer House, and track down a set of vendors who can add value. This work is well underway. Our personnel possess a completely new and extensive set of in-house diagnostic, vendor management and repair capabilities. Our maintenance systems are presently being redesigned in order to enhance the speed and quality of everyday maintenance, thoughtfully prioritize maintenance needs, and ensure that Summer House never again develops the extensive deferred maintenance issues we are now confronting.

Summer House is a sizable and very complicated ship. It takes a while to change course. I don't want to minimize the very meaningful positive strides we have taken in the last year or so, but my eye is focused on the positive changes yet to come. Speaking for the Board and the Staff, we are making every effort, and we are seeing objective success. On the whole, property values are rising, and rents are rising. But we all want more. If we continue to build, the real estate bust will one day become nothing more than an unpleasant memory.

Thanks for your trust and support.

Sincerely,



Joe Gill