Board of Directors Statement with Respect to Dues Increase

As many homeowners are already aware, the Tuttle Estates Homeowners Community inherited many troublesome predicaments when we voted not to renew our contract with the old management company, Foster Premiere in August of 2007. Those discoveries included large amounts of pre-existing past dues, homeowner violations, and expensive contractual obligations, to name only a few. Yet, the main discovery was that the initial capital contributions of $250, paid by every resident upon closing, had been completely spent by Foster Premiere.

From its inception, this Board discussed the lack of funds with Foster and even representatives of Weisman Hughes. It should be noted that the initial $250 paid by all residents was a capital contribution, NOT money towards a capital reserve, as we first believed. The Board languished over this for some time, but ultimately, Foster did have the discretion to use the entire capital contribution account to pay necessary community expenses from 2003 through 2007, until it reached a zero balance just before we took over management in 2007.

All homeowners should be aware all capital contributions were used by Foster in lieu of increasing annual assessments. In other words, had Foster not had this $60,000 from our one-time capital contributions, there is no doubt they would have had to increase our assessments over the four years from 2003 to 2007. The bank records of Foster Premiere make this point clear. Foster Premiere records show expenditures of $2,771.75 in 2003, $34,323.66 in 2004, $42,200.78 in 2005, $36,314.22 in 2006, and $32,966.35 in 2007, while Fosters proposed budgets each year totaled only $29.760 ($120 x 248 homes). As you can see, Foster Premiere was spending thousands more than budgeted every year! How were they able to afford the shortfall you might ask? The answer is by using the capital contributions account. Foster Premiere used funds from the capital contribution account in lieu of raising association dues. Although this kept association fees low between 2003 and 2007, it left this community with no money in reserve whatsoever.

When this Board took over at the end of 2007, our first priority was to keep assessments low. Thus, we kept them at $120.00 in 2007 and 2008. In 2007, we sought cheep landscaping services, were not able to repair broken sprinkler heads and consequently water our front entrances, to name many other cutbacks. We quickly realized that the quality of maintenance and hence, the quality of our community was substandard. Upon reviewing our own Declarations and receiving many suggestions from residents, this Board felt it must uphold the language of our Declarations, Section 4.02(a), which call for this Board to provide for the highest standards of maintenance and upkeep of property.

In 2008, the Board sought the services of SummerGreen landscaping and signed a two-year contract for grounds maintenance. By doing so, the Board was able to lock into a rate that allowed us to keep assessments low yet again in 2008. However, the contract called for an increase in 2009. Additionally, utility costs have increased significantly from 2007 to 2009, generally 10%. Based on same, this Board began budgeting for 2009 and it became clear assessments would have to increase significantly based on service increases along.

The Board s 2009 budget includes these increases in utilities mentioned above, along with the creation of a reserve for capital expenditures to maintain and improve areas owned by the Association, which may be built up by the annual assessment of our residents under Section 6.07 of our Declarations. These capital expenditures will include the addition of landscaping lights, plants to the center island area, and plantings around our ponds and center cul-de-sac. These expenditures total roughly $9,150, of which a portion will also be funded by capital contributions already receive from new homeowners in 2008 — of which we have received $1,250.The remaining $7,900 accounts for roughly $34.00 of each residents annual assessment increase. Residents should be assured these expenditures are being done in the most costs efficient manner.

Additionally, this Board would be remiss without mentioning the effect the rise of foreclosures have had on this community. The Association has been receiving less money from homeowners than ever before. Since this Board s take over from Foster Premiere, our subdivision has had a total of 10 foreclosures. Can we ever get unpaid assessments from those residents who go into foreclosure? 99.9% of the time — no! Foreclosures by banks wipe out 100% of any/all other liens on title. Do we have the power to lien or file suit against a past due resident to obtain our money before they go into foreclosure? Yes, but often, the likelihood of receiving payment is far outweighed by the legal expenses required to obtain judgments and the likelihood of a homeowner ever paying on the judgment (given most go into Bankruptcy). If this Board chose to pay the legal expenses associated with any of the above, assessments would increase even more dramatically — the end result of which would cost this community double and we would likely never see a dime of it!

This does not mean the Board is without recourse. Our Declarations have been drafted to ensure past assessments constitute a continuing lien (without the need to even file a lien), which will run with the property until it is eventually sold. (See Section 6.08) This means we will eventually get our money, and when we do, we will get it with late fees and interest as provided in our Rules & Regulations which the Board adopted in 2007. Under these rules, residents are fined significantly at the onset, and continuously ($1 per day) until assessments are paid. The fees being so daunting, this Board has been successful in recouping thousands of past due assessments from residents and we will continue to work to do so. Yet, the outstanding money owed by residents and the rise of foreclosures does place a burden on us all and its causal relation to the 2009 dues increase cannot be overlooked.

It is our duty as a Board to manage areas owned by the association and to enforce rules and regulations in the best interest of the Association. We tried less expensive avenues with undesirable results in 2007. In short, all cost saving measures compromised the required highest standard of maintenance that our luxury homes deserve. Due to all of the above, and in particular, without any excess funds in the form of capital contributions or otherwise, the Board was forced to increase dues this year. As you can see, roughly half of the $60 increase comes from capital contributions, but the other half would have been necessitated based on service increases alone.

Being a board member, at times, can be a daunting experience. The members of this Board truly take pride in our community. Even when difficult decisions arise, we always consider what is best for our community. We are truly a patient group of people who will work with and never against its members. We strive to create a community where all persons would be proud to have friend and family members visit.

We hope this statement serves to answer many questions posed by our residents. We assure all residents we will continue to use all cost cutting measures to keep dues as low as possible in the future while balancing the communities aesthetic needs. Tuttle Estates is moving forward and we look forward to an excellent 2009 year!