

23 May 2010

**To All Spicebush Owners:**

The Spicebush Board of Directors met on May 10 with The Club Group to review the state of the property, the finances, and various other issues which are noted below. *Please read this letter carefully, as it contains important information.*

**Property Inspection:** The Board toured the Spicebush grounds and one unoccupied unit, noting ongoing maintenance and operations items. In general, the Board was pleased with how the property is being managed, but is also mindful that certain items, like interior refurbishment and upgrades, need attention.

**Comment Cards:** The Board pays especially close attention to the comment cards that you are asked to fill out at the end of your stay. We aim to achieve combined "Excellent" or "Good" ratings of at least 90% for each category. Feedback so far has been consistently positive, with a few exceptions. The lowest rating (a combined 81%) was for "Condition of Furniture," which is being addressed by an interior upgrade program.

**Exchange Program:** Spicebush owners benefit from higher ratings when it comes to exchange programs. While the property will be unable to achieve the highest possible rating due to the lack of certain facilities on site (such as a health club), we are making good progress across the board, and working to improve in every category. We review the exchange ratings carefully at each Board meeting.

**Interior Upgrades:** The Board met with an interior design firm, Plantation Interiors, to review recommendations for new carpeting, major furniture, painting, window treatments, etc., including a specific proposal for a phased three-year upgrade program. Design work will continue over the summer and we hope to begin implementation in the fall of 2010, pending budget and schedule approval. We'd like to hear from you, so please fill out the attached survey and either send it or fax it to The Club Group. Your opinion matters!

**Pet Policy:** Please be reminded that Spicebush is a pet-free and smoking-free facility. The Board maintains this policy so that all Owners can enjoy their units equally and with a minimum of inconvenience. With the exception of service dogs which are needed for those with impaired vision, no pets are permitted. Consistent with other timeshare facilities, fines of \$500 for pets and \$250 (plus cleaning fees) are imposed for infractions of this rule.

**Audit review:** The board met with our auditing firm, Carey & Company, to discuss the audit for the period ending December 31, 2009. We are happy to report that the finances are in good shape, with sufficient cash on hand for operations and no debt. We are keeping a close watch on two items: anticipating the need for long-term capital improvements (the Reserve Fund) as well as collections related to the Recovery Program. We are particularly grateful to John Fowler for his close attention to financial matters and coordination with both the audit firm and Club Group management.

**Budget review:** The Board reviewed the line-item costs for both operations and the Reserve Fund with The Club Group management. While it is still early in the year, we are happy to report that expenses are tracking according to budget at this time.

**Recovery Program:** Mark King of The Club Group updated the Board on the status of the Recovery Program. Of the original \$260,000 that was misappropriated by Dennis Gerwing, \$126,000 has been repaid, for a balance due of \$134,000 plus accrued interest of \$40,000. The Club Group has put forth a plan to make regular monthly payments until the entire debt is retired, but this will take several years given the state of the economy and in particular the real estate market. Board member Theresa Thomas participates in a special committee that meets regularly to monitor progress of the Recovery program.

**Annual fees:** The Board is sensitive to the fact that the challenging economy has been difficult for many people. Hence, for this year only, we instituted a policy of payment in three monthly installments for those who needed a little extra time. The Board has been able to keep the annual assessment level at \$745 for 2010, avoiding any increase. This has been possible due to close coordination with The Club Group in creating and monitoring the line item budget.

**Foreclosure Process:** It's very important for everyone to realize that the job of the Board is to manage, not own, the property. Ownership is strictly by unit/week, and so it is up to each individual owner to either pay the annual assessment or legally transfer the ownership to another party. Spicebush pursues the following established policy: notice letters are sent out on February 1 for delinquent accounts, followed by a reminder letter on February 15. Foreclosure proceedings are begun on March 1 if payment is not received. Annual assessments that remain unpaid only add to the burden for the other owners. If you need help with sale or transfer of your unit/week, please feel free to contact Theresa Thomas at 1-800-785-3070.

**Weeks for sale:** There is a good selection of weeks for sale, particularly in winter months, which can be had at extremely good prices. If you enjoy Spicebush, why not consider adding some additional time? Purchasing additional weeks is easy. Board member Theresa Thomas will be happy to advise you; she is an experienced real estate professional on Hilton Head.

**Off season specials:** If you'd like to enjoy Spicebush during the late fall and winter months (late November to early March), we are offering one-week specials for the very attractive rate of only \$395 per week, plus tax. Contact Theresa Thomas or The Club Group (1-800-785-3070) for additional information.

**Board of Directors:** At the October meeting, two Board positions will be up for election. If you are interested in serving on the board, we'd like to hear from you. We are particularly interested in members who have professional background in legal and accounting issues, as well as facilities operations & maintenance. We especially want to encourage younger owners to consider serving. This involves attending two board meetings per year (fall and spring), plus some intermittent committee work. If you are interested or have questions, please feel free to contact any of the board members.

**Proxies:** If you cannot attend the annual meeting in person (October 26), it is very important that you submit your proxy in advance, as the Board must have an official quorum to legally conduct business. Proxies will be mailed out well in advance of the meeting.

In summary, your Board of Directors is working hard to keep Spicebush the special place that it has always been. It's hard to believe, but this is the 30<sup>th</sup> anniversary of the opening of the property! To do our job well, we need to hear from you, so if you have any questions or concerns at any time, feel free to contact any of the Directors.

Sincerely,

Scott Simpson  
President

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