

June 1, 2016

Greetings fellow Spicebush owners,

We just completed the Spring Board Meeting which was held on May 15-16. This letter provides an update on the property, Sea Pines and your Board's activities. We had picture perfect Hilton Head weather for our Spicebush property tour Sunday afternoon where we convened in the pool area. All five Board members along with Mark King, Bob Long, Andy Sutton and Scott Connal of the Club Group Ltd. ("CGL") were in attendance.

The recent exterior building enhancements, including new roofs and painting, looked great and blended well with the natural beauty of our favorite vacation destination. The colorful flowers, lush greenery and impressive combination of oaks, pines and palm trees were on spectacular display throughout the property. The pool area also looked great as the pool furniture is holding up well and the pool deck surface and edges looked good with some portions showing more wear than others, indicating that some of our budgeted pool maintenance may be necessary in the near future. The pool continues to be one of the island's nicest, both in size and location. We are fortunate to have it as a centerpiece of our resort, available for year round use since it is heated in the cooler months.

Our newest exterior amenity, the gas fire pit, continues to be very popular, both with Spicebush occupants and visitors to neighboring properties. To ensure use only by Spicebush owners and guests, we have secured the control panel in a locked box. The access code will be provided at check-in. The view from the fire pit and the rear of the property along the lagoon will continue to improve as redesign of the Ocean Course 10th hole is completed.

As we entered unit 568 for our property unit tour we noted that the front door was showing its age. CGL also mentioned that they have seen more problems with the main door locks, which generally require expensive repairs due to their age. We continued the tour and noted that the unit interior continues to hold up well in every room. The most exciting news is that all of the Master Bath renovations are now complete! Now everyone will have the pleasure of enjoying this luxurious new amenity during their 2016 visit.

As we reconvened for our meeting back at the Harbour Town Yacht Club, the Board welcomed Kaleb Froehlich to his first term as a Board member. Kaleb has a young family that is very familiar with Spicebush as his extended family are original Spicebush owners. He lives in Washington, D.C. where he is a lawyer, bringing welcome legal skills and a new and younger perspective to the Board. He looks forward to his service.

Bob Long, a key member of CGL's management team and a welcoming presence at the weekly owner's breakfasts will be retiring on May 31, 2016. We will miss Bob's extensive knowledge of Spicebush and his valuable insight and guidance on both operating and capital improvement efforts, along with his always present sense of humor. We wish Bob and his wife health and happiness as they transition into this

exciting next phase of their life. We also welcomed Scott Connal as our new regime manager. Scott brings with him significant property management experience and a background in architecture and interior design that he plans to leverage for our benefit in his new role at CGL managing Spicebush.

During the meeting, we discussed a number of other initiatives that we believe would continue to keep Spicebush up to date and enhance the ownership experience. These included:

- Installing new front doors with keyless locks and numeric keypad that would require access codes to open. This access approach would eliminate both the need for keys and a trip to Harbour Town for check-in.
- Upgrading all living room TVs to 43" 1080P Smart TVs to provide owners with enhanced TV viewing options on top of the basic cable and HDTV channel line-up.
- Moving the existing living room TVs, which are larger than the existing guest room TVs, into the guest room and mounting them on the wall next to the dresser mirror.
- Replacing the master bedroom armoire with a longer, narrower dresser that would provide more walking room between the bed and the armoire.
- Getting bigger bath towels and ensuring that all bed linens meet minimum quality standards and properly fit the mattress.

More details on each of these will follow in 2017, but please share your thoughts about these changes which we will continue to review before finalizing any plans at the October Board meeting. All of these enhancements will be made within the existing capital reserve 20 year plan.

We reviewed the financial statements and reports and noted that, from both an operations and reserve perspective, we are in good shape through March with positive variances to budget. We are also happy to report that in late 2015 CGL fully repaid the recovery receivable ahead of the scheduled payments detailed in the Substitute Recovery Plan agreement. That payment completes CGL's commitment to repay these funds, which will be used to build our operating reserve, with any surpluses transferred to our capital reserve at year-end.

We have said before in this newsletter, and at the annual meeting, that **our goal is to have as few nonperforming units as possible** in our weekly inventory since they negatively impact our annual maintenance fees. The Board applauds our owners for their commitment to keeping Spicebush a welcoming vacation destination, and working together through the Board and CGL to maintain it both physically and financially. Unfortunately, our total non-performing units increased by 21% from October 1, 2015 to April 30, 2016 to a total of 238 units. This increase was primarily driven by defaulted owner weeks. We are working closely with CGL to monitor this activity and take the appropriate action as necessary. We are firm in

our commitment that owners who wish to enjoy all that Spicebush offers must be current in their payment of annual fees. Simple fairness dictates that our community be comprised of equally participating owners. In response to these trends, we began using the Vacation Rentals by Owner (VRBO) website last year to expand the rental income from the non-performing units. I am happy to report that our efforts to date have been a smashing success as we have realized 75% of our \$20,000 in budgeted annual rental income through March! Based on reservations to date, we expect to collect more than \$35,000 in rental income in 2016.

We believe the recent Master Bath renovations and other exterior and interior improvements have made the units more appealing to renters. We hope to see that same effect on resales and we encourage you to tell your friends and family about Spicebush. As owners, we all know you really have to experience it to appreciate it, so please have them contact the Club Group, LTD for rental availability and Theresa Thomas for both Getaways and resales information at 800-785-3070. You can also see our Vacation Rental By Owner's posting at VRBO.com under ID#772854.

As mentioned in the last President's letter, we implemented a semi-annual drawing for the use of an HOA week, subject to availability, as an incentive for Spicebush owners and visitors to complete survey cards about their stay. Through April of 2016, we have received 36 responses, a volume which is basically unchanged from last year. We encourage everyone to complete a survey card as that continues to be a critical tool in monitoring CGL's performance managing our resort operations and remind you of your chance to pick-up an additional one-time week vacation by submitting a completed survey card.

As you may know, one of the many Sea Pines amenities available to Spicebush owners is access to the recently renovated Tower Beach area. Sea Pines has moved to an electronic access approach at Tower Beach. As a result, all Spicebush owners will receive a lanyard at check-in with the required electronic device. Please remember to leave the lanyard and electronic device in your unit at check-out.

In closing, we obviously have much to enjoy and to look forward to. **Stay connected** with Spicebush news thru our website. Also keep looking for email notices re auction rental weeks, sales, and other items of interest.

I thank you on my behalf, and of all the Board members, for the opportunity to help preserve and enhance our special place on Hilton Head...

Best regards,

David Shay, President

Cheryl Disque, Vice President
Theresa Thomas, Secretary
Paul Anderson, Treasurer
Kaleb Froehlich