

October 17, 2016

Greetings fellow Spicebush owners,

The last Hurricane to hit Hilton Head Island was Hurricane Gracie in 1959, long before Spicebush was built, but 57 years later, Matthew made its mark on Hilton Head. Luckily, the damage at Spicebush was not as bad as it could have been. We have a couple of units that sustained roof and other downed tree related damage. The Club Group Limited ("CGL") our property management company, was on-site at Spicebush the day after the storm hit the island. I'd like to commend CGL's proactive approach and thank them for their attention to our property. The Board was receiving updates daily beginning Sunday morning at 10AM. As you may have seen, Hurricane updates were provided on the Spicebush website regularly during the following week and owners of weeks impacted by the storm were contacted directly.

While we are still assessing the extent of the damage, we anticipate that we will be able to accommodate all owners while the units are being repaired and returned to service. You may not be able to occupy your actual unit, but you will have a unit within Spicebush. The storm hit at the beginning of week 40 and evacuations began during week 39. Sea Pines and Spicebush remained closed into week 40. Spicebush reopened the Monday of week 41. Since the week 40 owners were unable to use their week due to the storm, the Board has decided to offer those week 40 owners the use of one HOA week during the period starting November 4, 2016 through February 24, 2017, subject to availability and certain terms and conditions. While the By-Laws do not provide for any owner accommodation in situations like this, we felt this special accommodation was warranted in this extraordinary circumstance. To reschedule your week stay, please contact the CGL reservation desk at 843-671-1400. We also encourage you to register on the Spicebush website (www.spicebushatseapines.com) so you can receive the periodic updates and see resort pictures that may be available under the Hurricane Update section.

The Board was in regular contact with CGL the week after the storm as our fall Board Meeting was scheduled for October 16th -17th. While the resort was not completely ready, we felt it was appropriate for us to visit and inspect the property to better understand the storm impact. We held the Board meeting as planned. Unfortunately, we did not receive enough owner proxies to constitute a quorum under the bylaws and we were unable to hold an official Owners meeting on Monday October 17th. As a result, we have rescheduled the Annual 2016 owners meeting to November 11th and have provided additional information with this letter requiring your attention. If you have not submitted your proxy, it is very important that you please complete and return the enclosed proxy form as soon as possible so it can be received in time for the November 11, 2016, meeting. And, if you are not sure if you returned the original one, please return this one anyway to make sure your votes are counted. The CGL staff will check for duplicates. In order to complete our business on your behalf, we need those proxies. Please submit yours right away.

All five Board members along with Mark King, Andy Sutton and Scott Connal of CGL were in attendance when we started the detailed tour of the property on Sunday October 16th to understand the damage and related property impacts. This included an extensive property tour and an internal review of multiple damaged units. We lost a number of large trees throughout the property and had damage to the wooden pool fence. We expect to complete the necessary repairs in early 2017.

During our multiple unit tour, we noted that the front doors continue to show their age and confirmed our plans to replace these doors in 2017. Not only will they look better and allow us to upgrade the door lock technology and lower our lock repair costs, which have become more frequent due to their age. We continued the tour and noted that the unit interiors continue to hold up well for the most part. Though, some of the living room furniture starting to look worn and the dining room furniture in need of new upholstery. The most exciting news is that all of the Master Bath renovations are now complete and we hope that everyone enjoyed these upgrades. We noted other property conditions that validated some of the feedback received from owners and guests as discussed below.

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 is available in your unit, but please keep the code within the Spicebush community.

At the conclusion of the property tour, we reconvened for our Board meeting at the Harbour Town Yacht Club. We discussed a number of other initiatives that we believe would continue to keep Spicebush up to date and enhance the ownership experience. In addition to the storm repairs that we will be making over the next couple of months, please look for these other completed or planned improvements:

- Installing new fiberglass front doors with keyless locks and numeric keypads 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. Please look for additional information on this transition in 2017.
- 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. These TV's would allow you to log into your Netflix account and watch what you want in the comfort of your unit.
- 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.

CGL summarizes the comment card responses for each Board meeting along with feedback received by Interval International and RCI for visitors that traded into Spicebush. This information is valuable to the Board in understanding how well CGL is managing the property. As you may recall, we offered incentive drawings this year for owners that submitted comment cards after their stay to encourage an increased response rate, which has historically averaged around 5-6%. Unfortunately, that incentive did not significantly increase our comment card response rate as we only received 37 complete responses during the last survey period. Regardless, we did use the comment card responses to influence the planned improvements. The owner survey cards are scored on a scale from 1 to 100. Some of the results and our planned actions include:

- Condition of furniture rating declined from 89 to 78 – Feedback included worn living room furniture and dining room furniture in need of updating. As a result, we are re-upholstering the dining room furniture in 2017 and maintaining our living room soft-goods replacement as planned in 2018.
- Condition of towels and linens showed a declining trend over the past 12 months with the most recent rating dropping to 86 from 94 – As a result, we are replacing the towels and getting larger bath towels in addition to replacing the master bed mattress cover, linens and bed covers in 2017.
- Condition of appliances rating declined to 84 from 92 - Feedback included continued issues related to clothes dryer problems. Consequently, we are planning to begin replacing the combined washer and dryer appliance with separate stackable washer/dryer appliances beginning in 2017. Not only will these units be more energy efficient, the separate dryer should work better and the replacement costs will be lower as separate units.
- Satisfaction with pool and tennis declined to 92 from 100 – 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. We noted during our property tour that the pool deck is in need of repair. As a result, we are planning to replace the pool deck in 2017 and clean the pool bottom, which has experienced discoloring due to the copper heater pipes. We are also evaluating options for addressing the cracks and overall appearance of the tennis courts.

The items noted above highlight the importance of all owners regularly completing their comments cards at the end of each stay. While we are looking at ways to automate the collection of the comment cards on-line through the website, we encourage every owner to complete a survey card and leave it in your unit at the end of your stay. Without regular owner feedback, it is difficult for the Board to assess CGL's performance and understand owner needs and concerns.

We approved the 2017 budget as originally shared via the draft budget and are happy to report that there is no increase in the 2017 maintenance fees. We would also like to remind everyone that 2017 is the last year of the \$130 special master bath assessment and hope that everyone has been enjoying that upgrade.

We continue to be sensitive to the negative impact that non-performing units have on the annual maintenance fees. While **our goal is to have as few nonperforming units as possible**, we did notice a slight increase from the Spring 2016 meeting and a 12% overall increase since last October to 219 units as of October 2016. We have also noted a decline in the number of proposed sales to the various companies that offer to take your timeshare maintenance fees away with the payment of a large fee to them. We recommend that you not deal with these firms as they will take your fee and then never pay another maintenance fee. This increases the costs for other owners. Any timeshare transfer requires confirmation from CGL and we use that step to prevent transfers that will create a financial loss to Spicebush.

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. We continue to work closely with CGL to monitor the nonperforming 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 are on target to realize more than \$30,000 in rental revenue this year, 150% of our \$20,000 budget. This increased rental activity is what prompted the letter this summer from a subsidiary of CGL about the long term rental program. If you are unable to use your week, you are encouraged to contact CGL so they can include your week in the rental inventory.

We believe the recent Master Bath renovations and other exterior and interior improvements have contributed to the rental success noted above by making the resort and 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 CGL for the long term rental program and unit rental availability at 843-363-6300 or 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 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 regarding auctions, rental weeks, sales, and other items of interest.

I thank you on my behalf, and that of all the Board members, for the opportunity to help preserve and enhance our special place on Hilton Head. I have just completed my 6th year on the Board and will be turning the reins over to the existing Board and the newest Board member after we are able to formally conduct the owners meeting next month. Please return your proxies to allow us to have this meeting.

Thank you for allowing me to serve the HOA and provide my support to enhancing the owner experience and maintaining and improving where possible our favorite vacation destination.

Best regards,

David Shay, President

Cheryl Disque, Vice President

Theresa Thomas, Secretary

Paul Anderson, Treasurer

Kaleb Froehlich