

Voting Fact Sheet
Hammock Dunes Owners' Association
Purchase of the Remaining Developer Assets

Background

In 1999, E2M LLC acquired Hammock Dunes Property and Declarant Rights from ITT, under the name of Hammock Dunes Associates, LP. In 2005, E2M turned over Club assets, except unsold memberships/pricing control, to the Club. In 2010, E2M announced plans to liquidate their remaining Hammock Dunes assets and closed their Front Gate Sales Office. In 2011, E2M sold to the Club the remaining unsold memberships and control of pricing. Starting in November 2011, your Hammock Dunes Owners' Association (HDOA) Board of Administrators initiated negotiations with E2M to purchase the "Remaining Developer Assets".

Asset Purchase Overview

The HDOA Board has now completed negotiations with E2M and has approved the purchase the following four "Remaining Developer Assets" for \$1.875 million, contingent on a simple majority (50% plus 1) "Yes" Vote of HDOA Owners.

1. **Declarant Rights** - Developer Master Documents and Intellectual Property
2. **Front Gate Sales Center** - Building plus Property
3. **A1A South Billboard** - Titled Land Parcel that Buffers HD from A1A
4. **DCDD Connection and Standby Charge Agreement** - 240 New Construction Water/Sewer Hook-Ups

This \$1.875 million final negotiated price for these four "Remaining Developer Assets" is a significant decrease in price, compared to E2M's initial asking price (for these same assets) of \$3M in November 2011.

It is important to note that E2M would only sell the above four remaining assets as a "Package Deal" - these assets are not for sale as individual components.

The Declarant Rights are a critical component of this purchase, However as stated above, E2M would not sell these "Developer Rights" exclusive of the other assets.

Your HDOA Board of Administrators firmly believes that this Asset Purchase is necessary to re-establish our Hammock Dunes growth path and secure, protect and re-energize the Hammock Dunes vision and future property values.

Additional information concerning this important purchase may be found on the HDOA web site at <http://hammockdunesoa.com>, in the Asset Purchase folder.

Why We Should Purchase These Assets

A description of each asset and rationale for purchasing these remaining developer assets is summarized below:

1. Declarant Rights: Includes By Laws, Master Documents, and Covenants, Conditions and Restrictions (CCRs) plus Logo/Tag Line, Maps and Web Page URL. These documents define the original Hammock Dunes development vision and standards, including landscape, architecture, and own vs. rent vs. time share. As Hammock Dunes owners, you and your Board of Administrators should determine what Hammock Dunes looks like in the future.
2. Front Sales Office: “Commercial Zoned” 2.46 acre parcel with a 6,018 sq. ft. building. In “the wrong hands”, a “non- Hammock Dunes friendly” owner could, if he chooses, alter the existing architecture design and introduce other “commercial business operations”. Because, this Sales Office sits directly to the right of our front gate entrance, a potential change in architecture or less than pristine care of the exterior and adjoining landscape could potentially devalue our entire community and your individual properties. Your HDOA Board of Administrators wants to ensure this property continues to provide an “Inviting, Architecturally Compliant Entrance” to our “Premier Community”. This is the very first impression visitors have of Hammock Dunes. We already own the Clock Tower and Front Gate House, so the Sales Office complements our front entrance architecture. Ownership of the Sales Office ensures that we protect this first impression of our Hammock Dunes.
3. A1A South Billboard: Consists of a .15 acre parcel with a Billboard and located between the Hammock Dunes South Entrance and Island Estates Main Entrance. Our plan is to add this parcel to Hammock Dunes common property, thus adding an additional buffer to the existing “narrow” 7 foot landscape buffer along this A1A southern boundary. This Billboard parcel of land is the very first impression visitors have of the Hammock Dunes South Entrance. Ownership of this parcel of land provides the opportunity to erect inviting directional signage for both Hammock Dunes proper and Island Estates.
4. DCDD Connection and Standby Charge Agreement: E2M requires that this agreement be included as part of any negotiated purchase. The existing E2M-DCDD agreement includes the following key components: 1) Dunes Community Development District (DCDD) collects \$4,500 for a water/sewer connection from each lot during initial construction, 2) DCDD retains \$1,000 and disburses the remaining \$3,500 to the “Connection Fee Agreement” holder, now E2M, but will transfer to HDOA at purchase closing, 3) There currently are 240 remaining vacant lots that will be charged this fee at time of construction. The future value to HDOA is \$840,000 (240 lots x \$3,500 each). This DCDD Connection Fee Agreement provides significant value for Hammock Dunes as we re-energize our Hammock Dunes growth path.

After-Purchase Plans

The HDOA Board has specific plans for each asset once we complete the purchase. HDOA plans for each asset are summarized below:

1. Declarant Rights: We want to secure, protect and maintain Hammock Dunes standards and property value and, with your support as owners, guide the future Hammock Dunes vision for the benefit of all property owners. Our objectives include marketing Hammock Dunes as a “Premier Oceanfront Community” and entering into discussions with developer(s) to accelerate build-out of the remaining lots and Condo Pads.
2. Front Sales Office: Your HDOA ownership of this Sales Office would ensure the property continues to comply with Hammock Dunes community standards. Our plan includes leasing this property to a Hammock Dunes “friendly entity” rather than a commercial enterprise that does not complement our pristine, inviting main entrance. We intend to use the monthly lease revenue to pay-down the financed asset purchase.
3. A1A South Billboard: Our objective here is to create a secure 75’ landscape buffer, similar to other buffers that border Hammock Dunes. Additionally, we would like to remove this Billboard, landscape the currently barren area and erect a directional entrance monument for both the south entrance to Hammock Dunes proper and Island Estates.
4. DCDD Connection and Standby Charge Agreement: We would collect \$3,500 for each of 240 remaining new construction water/sewer hook-ups, and use this connection revenue (\$240 x \$3,500 = \$840,000) to again pay-down the financed asset purchase.

It is s important to emphasize that the HDOA has a very strong financial balance sheet, and your HDOA is currently and will continue to improve Hammock Dunes for all owners, including this year’s main entrance bridge renovation and other future infrastructure improvements.

Financing Strategy

This purchase will not significantly impact the HDOA strong financial position, and does not use any of the HDOA’s protected, restricted reserves that are set-aside and dedicated for annual maintenance and long term replacement of the Hammock Dunes infrastructure.

The HDOA Board financing strategy for this \$1,875,000 purchase includes a \$500,000 down payment and a long term loan for the remaining \$1,375,000, with no pre-payment penalties.

To pay off the loan, we intend to use a combination of monthly revenues generated from: 1) the Front Gate Sales Center lease, 2) the DCDD Connection Fees, and 3) a very modest \$5 or less per month increase in your Master Association dues. As a point of reference, in 2006 your Master Association dues were \$99 per month and are now are only \$110 per month; this represents less than a 2% increase in monthly dues over the past eight years. We need to take advantage now of the economic recovery to secure the future of Hammock Dunes for all owners!

Community Vote Process

A Simple Majority (50% plus 1) of a Quorum of a Hammock Dunes Owner “Yes” Vote Is Required To Approve This “Asset Purchase”. The 25th March Annual HDOA meeting was the first in a series of HDOA communications to educate Hammock Dunes owners of this important purchase. In addition to frequent emails and posting the presentation and Q&A on the HDOA web-site at <http://hammockdunesoa.com>, we conducted a Town Hall Meeting on the 22nd of April where the HDOA Board presented the Final Sales Agreement and Loan Terms and Conditions.

All owners have now received via USPS mail a formal announcement of a 20th May Member Meeting, where owners can either cast their vote in-person or mail-in, prior to this meeting, their proxy. At this Members’ Meeting, we will officially count the votes and announce the vote results of this very important asset purchase.

The HDOA Board encourages each owner to complete Your Proxy Now by following the enclosed instructions and returning your Proxy in the included self addressed and stamped envelope. Mailing in your Proxy now ensures that, if for whatever reason you are unable to attend the 20th May Member Meeting, your vote will be counted at the meeting. If you do chose to attend the meeting, then you can request that your in-person vote replace your previously mailed proxy.

Summary

In summary, what do you, as owners, want for the future of Hammock Dunes?

Future # 1 - Provides the following value for you, Hammock Dunes owners:

1. An HDOA with Declarant Rights that include owner approval vote to guide the Hammock Dunes future growth path and protect property values.
2. An entrance to Hammock Dunes that is inviting for existing owners and potential new owners.
3. A secure South Entrance with inviting Hammock Dunes directional signage.

Future # 2 - Has the potential for an entirely different outcome:

1. E2M Sells the Asset Package to “Another Developer”, whose sole interest is to maximize profit rather than preserve the Hammock Dunes legacy.
2. A “Declarant” who changes the Declarant Rights without an HDOA or HD Owner Vote and builds whatever maximizes profit, regardless of architecture standards.
3. A potential “Non-Friendly” and “Un-Inviting” Commercial Enterprise at our Front Entrance.

Bottom Line - Your “Yes” vote is critical if you, as owners, want to achieve Future #1!