

The Native Sun



1950 South Ocean Blvd., Lauderdale-By-The Sea, FL 33062
(954) 942-2800

Re: February 24th Zoom Conference Call

Dear Owners,

The Board of Directors is listening to your concerns, and we want to be informative. Instead of trying to call everyone individually, and in answer to owners' questions, we have prepared the attached Q&A sheet which may address your own question(s) as well.

We have also attached some photos for you to see prior to the Zoom meeting, which are representative of the building's current condition.

In order to have everyone informed as much as possible in advance of the upcoming meeting, we plan to send out at least one more informational email prior to the meeting, so please watch your Inbox.

Thank you for your continued interest in the Native Sun Resort.

Sincerely,

Michael F. Ohr, Sr.

Michael F. Ohr, Sr., President
Native Sun Board of Directors

MFO/ajp
Enclosures

IN ANSWER TO YOUR QUESTIONS...

Q. Why this assessment so suddenly?

A. Notice of the need for a long-range plan for structural repairs and replacement has been a topic of discussion for the past 5 years. The 40-year engineering study is coming due this year and correlates with our long-range planning discussions.

Q. The math of the assessment raises fund greater in value than the amount needed for the façade restoration. Why is the value higher?

A. The value is higher due to the number of unit week owners that are not paying their maintenance fees. The actual amount that is anticipated to be received is very closely aligned with the amount provided by the engineering firm.

Q. Should the owners be provided with an option to sell the property and terminate the timeshare resort?

A. Selling of the building to avoid proper restoration of the façade is not currently supported at the Board level, or at the owner level to the best of our understanding.

Q. Please clarify the reference to the sea wall

A. The seawall is an underground concrete wall with iron rod supports to hold it in place to protect the sands and soils of the land from washing towards the sea. The location of the seawall is directly beneath the short picket-styled fence before you walk onto the beach.

Q. We will attend the meeting and ask the lawyers in the family to join too.

A. The meeting is available to the deeded owners of the Native Sun. Any non-owner reference to lawyers will have to be referred to the Native Sun's legal counsel.

Q. The Board is entirely brand new and incapable of operating the resort.

A. This is factually incorrect on both accounts.

Q. How was the amount needed arrived at.

A. The amount was determined by the actual bidding done by the engineering firm hired to get us through this project, and required for the 40-year study, then adjusted for those owners who are routinely making their annual dues payments to the resort.

Q. Why is the amount assessed equalized across-the-board?

A. The assessments of the resort are always equalized.

Q. Why is the additional assessment necessary and why aren't the anticipated expenses included in our annual maintenance fee?

A. While reserves are funded for repairs and many replacement items, the overall restoration of the building façade was never included in the budgeting process for decades, only localized repair areas. Further, if these costs were in the annual budget of maintenance fees over the past several years, annual maintenance fees would have been increased as much as 100.00 per unit per year to accumulate the necessary funds, and there likely would have been objections by some to that plan as well. It was the best judgment not to mix this one-time event of façade restoration with our routine budgeting process.

- Q. Can a compensation plan be developed to accommodate owners that could not rent or use their units due to COVID-19 and why aren't there federal subsidies for such purposes?**
- A. While we sympathize with these affected owners, compensation plans for doing so would be spread at the expense of all owners, and in essences one would be paying for one's own compensation. We did qualify for round one of PPP for the 8 weeks of payroll permitted.
- Q. The lack of funds to pay for this work is due to a lack of proper management of the resort.**
- A. The current Board has worked hard to get the long-range plan in place that was voted on by the owners at a previous annual meeting, due to past Boards/Management failure to do so. This certainly is a historical issue that should have not had to take this long to address. But here we are.
- Q. The meeting time is not convenient. It should be scheduled when convenient for all owners.**
- A. Clearly, we are unable to accommodate the schedules of some 1,100 unique owners.
- Q. What is the expected rate of expected payments for the additional assessment.**
- A. We did reduce the expected rate of collections based upon our expectation of owners that haven't paid their annual maintenance fees to accommodate this project to about 60%. We hope the collection rate is higher. We are offering payments over two years to assist those who may need additional time to make their payment.
- Q. Has the proposal already been decided or will it be decided on February 24th.**
- A. The proposal and assessment will be determined at the February 24th meeting.
- Q. Please identify when the State notified the resort of the recertification and has the 90 day time frame to hire the engineer been triggered.**
- A. The Board proactively sought out our compliance date in 2020 and hired the engineer prior to receipt of a formal compliance letter from the state of Florida.
- Q. Would the Board consider borrowing money from current owners if we can't get a loan from a bank, even at no interest, to make this process more digestible for all owners.**
- A. We would be open to any possible solution to this matter that ensures that we get all work cited by the engineer completed in a fashion that best serves all owners.
- Q. Can you take the \$500.00 out of my rental income as a deduction to lower my 1099 tax burden. Are assessments tax deductible.**

A. As far as we understand, rental of a space for less than 14 days is not taxable income. It may be reportable but should not be taxable. Please consult your professional tax preparer. Since there is no guarantee that any unit will rent, we would create a process that would allow holding off to see if the unit is rented. Assessments are not tax deductible.

Q. The resort was closed for a good portion of 2020 and there should be a reasonable level of savings. Can't those funds be put towards the façade restoration project?

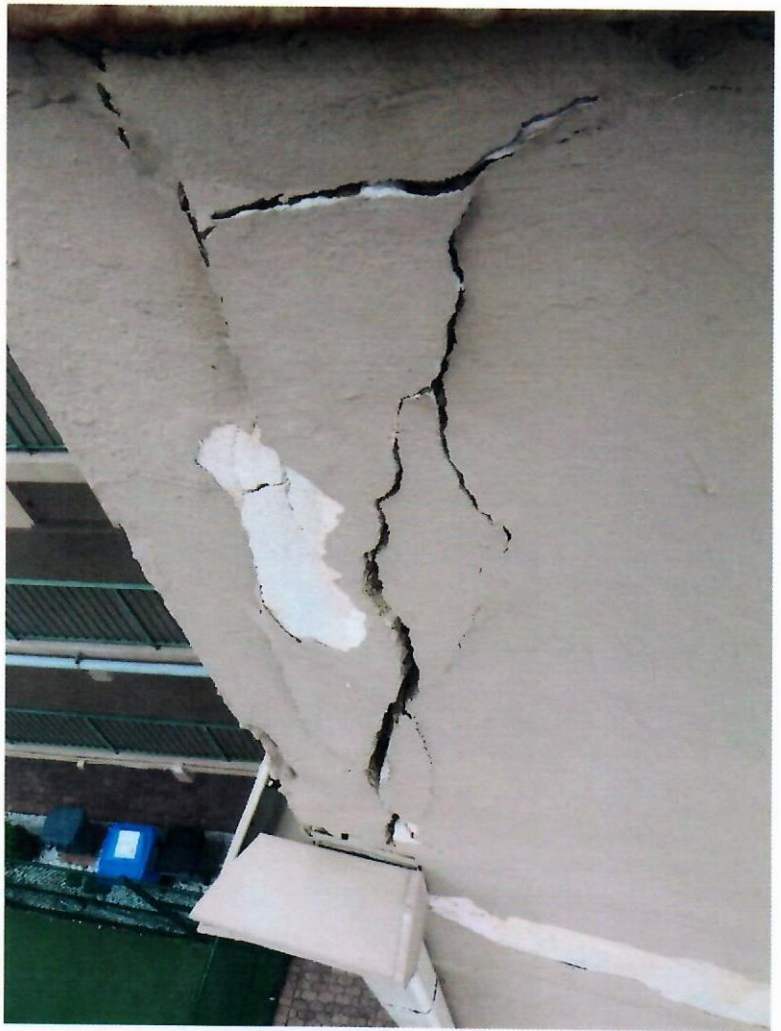
A. There was not the level of savings that you predict. We did not receive much at all of our budgeted rental revenue, so COVID-19 impacted our income significantly. Our staff, under PPP, was paid during the time that the resort was closed. Some utilities were under budget, but the expenses for PPE, screening partitions, sanitizers, and sanitizing processes/materials made up for those savings.

Q. We do not mind paying the additional assessment, but when will the interiors of the units be updated?

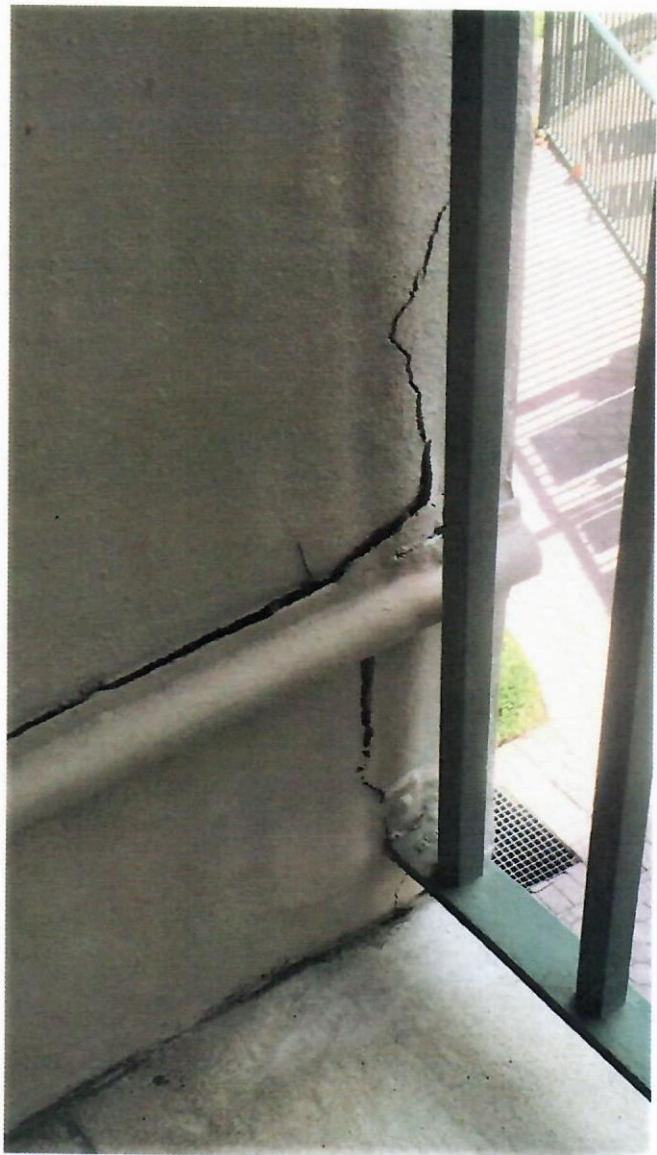
A. This is a priority of the Board once we resolve the 40-year restoration plan. Please do refer to the Reserve Report included in this distribution for further descriptions of the room projects and costs.



CRACK IN PARAPET WALL —
FRONT TOWER



PARAPET WALL - CLOSEUP



BALCONY WALL



BEFORE

AFTER

└ BALCONY CEILING ─┘



4TH FLOOR CATWALK