VILLAS OF WINDMILL POINT II POA., INC.

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3-1-19 - NOTICE OF "OWNER INVERSION PROGRAM" ("OIP") EXPLANATION AND UPDATE

It appears that since its approval in 2015 and 2016, the "OIP" has been mistaken for outright sales of villa units by several owners, and/or the ROFR (Right of First Refusal to buy), requiring this clarification and update.

1. ORIGINATION: Primary Purpose: The OIP was originated to deal with the problem of getting a property insurance "Master Policy" on all units, when the POA was told that it could not 'force-place' individual policies on uninsured units, particularly, high risk, vacant, foreclosure units. All insurance carriers required that VWP2 must be on the Title / Deed of any unit that it wished to insure and be the insured. When the OIP was approved in 2015 / 2016 by the owners, the Master Policy desire and insurability of uninsured units was the primary goal.

2.SECONDARY OBJECTIVE: When VWP2 was formed in 1982, as a "POA", rather than an "HOA", it allowed all 89 units to be rented at one time to tenants. However, NO "HOA" allows 100% of their homesteaded homes to be 'rented', nor, multiple times a year, like VWP2. Usually, HOA's will limit rentals to only 10% or 20% of all homes in the HOA, and will limit leases to a minimum 1 year or more term, and, only 1 per year per home. If a tenant is evicted in March, the Home Owner could not rent the home again for the rest of that year, and might lose their status to another home owner within the 10% or 20% waiting to rent their home. So, the purpose of this "POA" was always different than an "HOA" since the very beginning. The developer, General Development Corporation, "GDC" sold ALL 89 units to out of town buyers with an average of 90% developer financing, at relatively high prices for that period, (of $65K TO $85k), 36 years ago, with a promise that all 89 buyers could rent their units out to cover their mortgage payments until it was paid in full in 20 or 30 years.

When the foreclosure cycles of the 1980s and 90s hit, the collectible monthly rents did not meet the higher mortgage payment and half of the villa units auctioned off for all cash in the teens and $20Ks, and a few $30Ks, which was their true original value. This brought a different level of buyer, some who became onsite, owner-occupants with prices similar to mobile home parks. Then, civil war broke out between Northern, higher-income owners of rental units, versus onsite owner-occupants, and, even worse, some were local rental buyers at low prices, renting to tenants at dirt cheap rental rates to undercut the higher ones, and those tenants caused problems in the community. Local owners called offsite landlords 'slum lords", and original owners called the new round of onsite owners "trailer trash", and it got to be an undesirable place to live, with high crime and turnover. In 1997, the POA hired a consultant to recommend a way to deal with all of these complex and unique problems. He recommended that the Governing Documents be changed from allowing ALL 89 units to be rentals, to a lesser amount of 10% to 25%, to match the restrictions that most HOAs have. But, getting a POA original owner to give up a promised right of theirs is not reasonable to expect, and any attempt to amend and have them vote to 'restrict' their own rental provisions in ANY way, obviously kept failing. So, after the last 2007 cycle started, the owners voted to implement a Long-Term-Plan ("LTP") to just have VWP2 buy ALL the units back and become a 100% rental community again as originally planned, beginning with buying all of the foreclosures one by one, which was done. Then, to buy all rental units, then, onsite owner occupied units--with a special provision to continue living in the unit while receiving a POA check!

3. THIRD OBJECTIVE: The POA is a "NON Profit". They have only been able to procure 'hard money' and private loans and equity loans at high interest rates to replenish the cash used to buy and remodel each unit over the last decade. The mortgage payments on those loans, were still easily covered by the rental income of each remodeled unit, but, private investors and lenders who promised to keep lending until all 89 units were bought, had changes in circumstances causing them not to lend anymore. If the POA sold the units that it owned to a "FOR-Profit" corporation though, that For-Profit would be able to get financing easier, and at more competitive rates, so that the new money raised by the POA could finally be put back into the community and enhancements and remodeling and upscale refurbishments and capital improvements and additions.

4. NEW OPTION: The POA may now be able to succeed in its goals by just 'being added' to the title, for those declining full title transfer, in exchange for crediting their maintenance fees owed, which is now being offered as an additional option to all owners with the current billing going out for the deferred 2017-2018 fees.

5. INVERSION EXPLANATION: An 'Inversion" of a villa ownership interest is **not** the same as an outright sale of the unit. When an owner just wants to simply sell their unit and receive full value, that, is a simple 'sale' and is not, an "Inversion". The OIP is a "CASHLESS" swap, transfer and transaction. Since the POA began having a problem getting new funding for cash purchases, it offered every owner the opportunity to transfer their title to the POA, and the POA would either assume existing mortgages and/or provide a new recorded one to the owner. If the unit had existing mortgages, depending on the payoff balances, not only would they be assumed by the POA, but if there was sufficient equity, the POA could also possibly provide the owner with a little income from a recorded second or third mortgage in the owner's name, and a sellable Secured Promissory Corporate Note, a fully Negotiable Instrument. If the unit was free and clear, then the POA expected the owner to provide full owner/seller financing to the POA for a period of time, interest rate, and monthly payment that the owner felt matched or exceeded their current net income, or profit on the unit. The owner, having an 'investment' in their real estate, merely "inverts" their secured instrument from the title holder to a lien holder, which is still an ownership and equitable interest on the unit, instead of forcing anyone to just "sell" their unit.

6. INVERSION CONFUSION AND FEE CREDITS AND DEFERRED AND REQUIRED PAYMENTS: About 21 owners agreed to sell their units to the POA by the time of the December 2016 Annual Meeting, which, as offered, deferred the billing and their payment of quarterly maintenance fees starting Jan. 2017, to be used as a sort of 'downpayment' credit for the POA. Such OIP participants then received a reduced quarterly rate from $900 down to $645 a quarter under the LTO (Long Term Owner) Discount. Ensuing litigation however, challenged the fairness of two different rates, and the POA has now decided to extend the discount to all owners with the current deferred billing that is being mailed out with the March Annual Meeting package.

Some misunderstandings also developed when some of the 21 owners began to want "All Cash" for their units, or half cash, or a sizeable "Cash" downpayment to carry financing. This is NOT the definition of, or purpose of the Inversion, and the maintenance fees can no longer be deferred on those units, and must be paid by those owners not wanting to do a 100% cashless inversion. So far, that leaves only a dozen units that are truly participating in the true OIP so far, with other owners willing to sell to the POA on different terms, but will have to keep paying their quarterly fees until the POA can raise the cash that they want to receive for the unit sale.

With this Notice and accompanying billing, the POA may however, now get some of those owners to agree to allow VWP2 to just be added to their title for a small percentage of ownership interest in exchange for crediting outstanding fees and balances owed, rather than the need of the POA to have 100% ownership of that unit, for those owner(s) wishing to still keep ownership. In this way, if VWP2 should convert to a For Profit, or form a For Profit, those owners would have the opportunity to be part of the purchase of the units from the POA to the different Corporation as well, sharing in the debt and liability and responsibility of those units as well.

7. INVERSION SELECTION, CONFIRMATION, OR DECLINATION: Billing is therefore now going out to the 36 non-POA-owned units with the March 16, 2019 Annual meeting package, for the 8 quarters due for 2017 and 2018. Each owner must return the "**RETURN COPY**" of the two page invoicing with their payment, OR, with their OIP selection and signature. If not participating in any way in the OIP, the deferred fees must be received by March 15th. There will be no interest or late charges if received by then. Please see the invoice enclosed.

BOARD OF DIRECTORS AND OFFICERS, VWP2