

**1. What is the breakdown of our maintenance fees?**

*We have 3 funds that make up our maintenance fees.*

- 1. Operations Assessment – This pays the expenses to run the Sandcastle (water, electric, security, insurance, 1 employee, upkeep, yard, pool, maintenance, etc.)*
- 2. Construction Reserve – This pays for the loan we took out when we put on the roof in 2016.*
- 3. Dedicated Reserve – (Project reserve) – Any money left over from #1 and #2 go to into this account to be dedicated to making the property whole again.)*

**2. How much money do we have in the bank to begin reconstruction?**

*We have \$857,682.60 in our Dedicated (Project) Reserve. Plus, we have approximately \$1,463,340.04 in the Hurricane Harvey Recovery Account. Lastly there is the remaining \$355,338.29 in the prosperity Bank Construction Reserve. This is a total of approximately \$2,676,360.93 in reconstruction funds.*

**3. Why have maintenance fees not gone down?**

*We need to have money in reserves to continue any projects that we can on making our property whole. If at any point, we have a shortage of funds for that purpose, this is where it will come from. The board surveyed owners at two different board meetings and owners overwhelming said they would rather keep building this fund to offset any future assessments if they were needed. Expenses have been drastically reduced in an effort to grow the project reserve as much as possible with the current assessment amounts being billed to owners.*

**4. Is it necessary to have any staff at the Sandcastle?**

*Yes. Even though we are not a rental property at this time, we are still a working property. Our manager walks the property twice a day, every day, schedules and supervises yard and pool maintenance, calls and oversees any necessary property repairs as they occur, schedules realtors, answers owners and guests' questions, keeps reports and records, schedules all construction and appraisal crews that are on the property, etc.*

**5. Once reconstruction begins, how long should it take until it is finished?**

*Galt estimates it will take 18 months until we will be ready for occupancy after they start.*

**6. How long will the appraisal process take?**

*There is no way to give a definitive answer. Legal processes take time. We would hope to see results in the next 8 months. Sandcastle has appointed an appraiser and the insurance carrier has appointed an appraiser. We are in the process of seating an umpire to complete the panel. Sandcastle's appraisal team has been hard at work daily on behalf of the Sandcastle owners preparing forensic materials and estimates for use in the appraisal. The carrier however has established a pattern of delays throughout the entire claim process with adjuster changes, delays in sending engineers, rescheduling of experts and construction consultants. This appraisal process seems to be just one more example of the carrier's intent to delay from paying Sandcastle what it is owed under the policy.*

**7. When can we begin reconstruction?** *There may be some small construction projects going on after the appraisal panel is selected and visits the property. No work will be done before then, as it is imperative the entire appraisal panel sees the full extent of the damage and can observe the cause of damage to be from Harvey. The major reconstruction will begin after the conclusion of the appraisal process and funding of the appraisal award.*

**8. Is there going to be an assessment to condo owners?**

*There is no way for anyone to know that answer at this time. Once the appraisal process is complete and we know what needs to be done and what will be collected from Insurance, all efforts will be made to do the work in the most economical way possible while meeting all building codes and maintaining the high standards that Sandcastle has maintained and wants for its future. All efforts are being made*

*to reduce any amount of special assessment to owners by maintaining the current assessed amounts to owners and building the reserves for reconstruction as well as mindfully managing expenses.*

**9. Are we still paying CCMS the same amount as before Hurricane Harvey?**

*No, The expense with CCMS was reduced by approximately 60% from the average Management expense paid between 2014 and 2018.*

**10. Have we looked into using another insurance broker and/or another insurance company?**

*Discussions regarding looking into other brokers has taken place. Currently Sandcastle is being insured by a different carrier than what is currently responsible for the Claim for Hurricane Harvey Damage. Every year multiple insurance companies are quoted during the renewal process. It is important to remember that the high risk associated with the location of the property, most carriers decline to cover the wind peril. Sandcastle only recently was able to obtain windstorm coverage outside of the TWIA Insurance Program.*

**11. Who decided the amount of insurance that the property should carry?**

*Every two years Sandcastle has a replacement cost appraisal evaluation performed by a third party entity. In 2016 GAB Robbins performed this evaluation for Sandcastle Condominiums. This appraisal is to be used as a guide to assist the client in their determination of the proper amount of insurance coverage. The report listed a replacement cost value of \$20,771,772, prior to this report the property was insured at \$18,973,839.00*

**12. Are other condos around town having the same problems we are having?**

*There are several condominiums in the area facing much of the same and similar circumstances that Sandcastle is facing. These problems include anticipated repair costs above and beyond the policy limits as well substantial amounts of damage being claimed as pre-existing by the carrier.*

**13. What condos are open.**

*Aransas Princess had a "Soft Opening" in April of 2018 amid ongoing construction. Aransas Princess is an entirely different construction type than Sandcastle and experienced different levels of damage.. Island Retreat was able to open 10 of its 66 units in June of 2018, while the remainder of their units continue through reconstruction through an assessment. Sea Gull Condominiums has been able to release 3 units as of February 2019 with more to open progressively over the next 6-8 months.*

**14. Can anything be done to help with our property taxes?**

*CCMS and our engineer, John Elamad, are meeting with the Nueces County Tax Office in an effort to get lower taxes for each owner.*

**15. Why did we not hire a lawyer right after the hurricane?**

*The board looked into hiring legal representation. Throughout this process, three different law firms have been interviewed by the board. Because of the sensitive nature of legal proceedings, that information could not be shared. The initial cost estimate for legal representation was going to be approximately \$8 million dollars. It was decided that it was not in the best interest of the owners without trying to negotiate with the Insurance Carrier.*

**16. How much money has the insurance company given us and what has it been spent on?**

*They have given us approximately \$6,313,938.28 for reconstruction funds.*

***For a detailed summary of expenditures and income please refer to the Hurricane Harvey Income / Expense Summary.***

***Brief Summary Expenditures: All figures as of December 31, 2018***

<i>Initial Demolition to remove wet materials</i>	<i>\$1,832,674.81</i>
<i>New Roof</i>	<i>1,449,900.00</i>
<i>Security</i>	<i>94,806.38</i>

Elevators	884,256.00
Balance of tear out to see studs(ordered by ins.)	870,328.61
Engineering	\$82,197.81
Misc (event center, pool, grounds, etc)	\$323,604.31
Total Expenses	\$5,537,767.92

**17. Why did the Insurance Company reverse its course and not want to pay any more than what it has already paid?**

*After we did the balance of the tear out that was requested by the insurance company last August, they sent their Head General Adjuster for iCat to the property. He was shocked at what he saw. He stated to us that we had a total loss and that iCat had only planned on us having approximately an \$8 million loss and had initially only put that amount aside for our claim. He told us that he did not see how iCat was going to be able to explain that to the syndicate of insurance companies in his group. It was shortly after that iCat exercised their right to appraisal. iCat is exercising its right to appraisal under the policy in an attempt to skirt liability for the statements, actions and inactions of its claims team in handling this claim.*

**18. Can I visit my condo?**

*We strongly recommend against it. First of all, it is dangerous. It is a construction zone and there is concrete falling at times. There is no active fire system. There are damaged and loose railings All elevators are now not working and will not be available for public use until new ones have been installed and the fire system is replaced and certified. If you do go, you must follow these rules:*

- a. You must make an appointment so you can be escorted by a Galt employee. Galt has to pull someone from other construction sites to accompany you, so they need to plan.*
- b. You will have to walk up stairs. No elevators are available.*
- c. You must wear a hard hat and a vest.*
- d. You must wear appropriate clothing – No open toes shoes and No short pants.*
- e. You must sign a Waiver*