

EXHIBIT "A"



A REPORT TO HOMEOWNERS

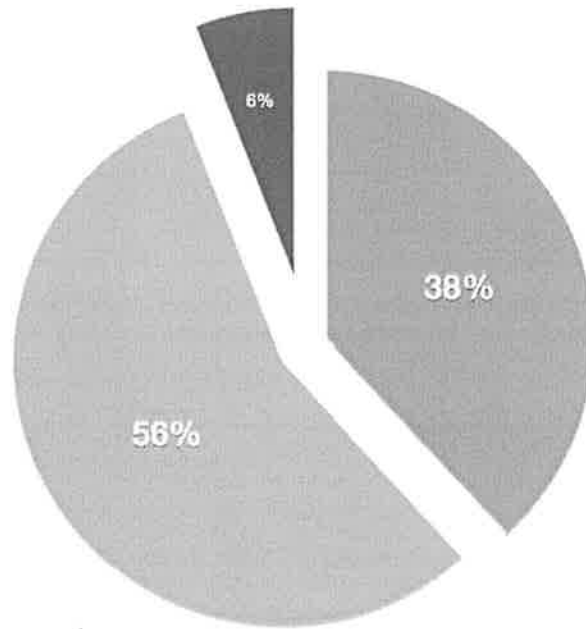
Each year for the past seven years I have given a report to homeowners that pretty much followed the same old pattern. The report usually went like this: The 1st slide would be about what was accomplished in the past year, followed by a 2nd slide featuring the perceived problems we are facing in the community and how we expected to solve those problems. The (3rd slide) would usually feature a series of goals to be accomplished in the next year or extending into the future for 3 or 4 more years. The 4th slide would be the Treasurer's report with the numbers being presented on a high level without too much detail. The final slide would usually be some discussion items of current interest in the community.

This year I want to break that mold and approach the report in a somewhat different way. As I move about the community and talk with homeowners, board members and others in the

community, the most frequent question or concern I hear is: what am I really getting in return for my \$250 dollar and 95 cent home owner fee I pay each month? This is usually followed by a question of when are you going to paint my town home and fix the siding? If I somehow managed to get past those two questions the next one was usually about what plan we have as a Board of Directors to accomplish all the maintenance items that the board is obligated to achieve. So in answer to the first question perhaps it would be very beneficial to take a look at just how and where your Association fees are spent.

OPERATING EXPENSES		% OF OE
Electricity	\$14,489	4.5%
Water & Sewage	\$48,277	15.1%
Management	\$36,000	11.2%
Grass Cutting	\$42,129	13.2%
Trash Pickup	\$8,512	2.7%
Interest	\$1,039	0.3%
Homeowner Services	\$150,446	47.0%
HOA Insurance	\$14,882	4.6%
Audit/Tax Return/CPA	\$3,255	1.0%
Legal	\$2,100	0.7%
Fidelity Bond	\$273	0.1%
Admin (incl. supplies)	\$7,989	2.5%
Legally Required Safeguards	\$28,499	8.9%
TOTAL OPERATING	\$178,845	55.9%
Tree Trimming	\$9,853	3.1%
Landscaping	\$9,328	2.9%
OTHER	\$19,181	6.0%
2015 BUILDING EXPENSES		% OF BE
General Building	\$12,475	3.9%
Siding Repairs	\$21,049	6.6%
Concrete	\$2,145	0.7%
Bulkhead & Boardwalk	\$9,969	3.1%
Electrical	\$4,722	1.5%
Plumbing	\$6,314	2.0%
Pool Cleaning & Maintenance	\$11,828	3.7%
Roofs & Gutters	\$10,395	3.2%
Deck Maintenance	\$8,384	2.6%
Garages	\$1,917	0.6%
Painting	\$13,851	4.3%
Other (Fences, Tower etc.)	\$19,045	5.9%
BUILDING EXPENSES	\$122,084	38.1%
TOTAL EXPENSES	\$320,220	100%

Wharf 2015 Actual Expenses



The chart you are looking at was taken from the 2015 budget year. If you look closely at the chart you will see that \$150,446.00 were spent on Operating Expenses. Operating Expenses are the funds used for water, garbage and sewage, electricity for the garages and outside lighting, grass cutting, and management fees. Those fees keep the doors open and comprise 47% of our budget. In other words, 47 cents out of every dollar taken in. Other mandatory expenses are one that are required by law and those fees consist of insurance, legal fees, fidelity bond, tax returns and CPA audit fees, and administrative fees. Those fees amounted to \$28,499.00 or

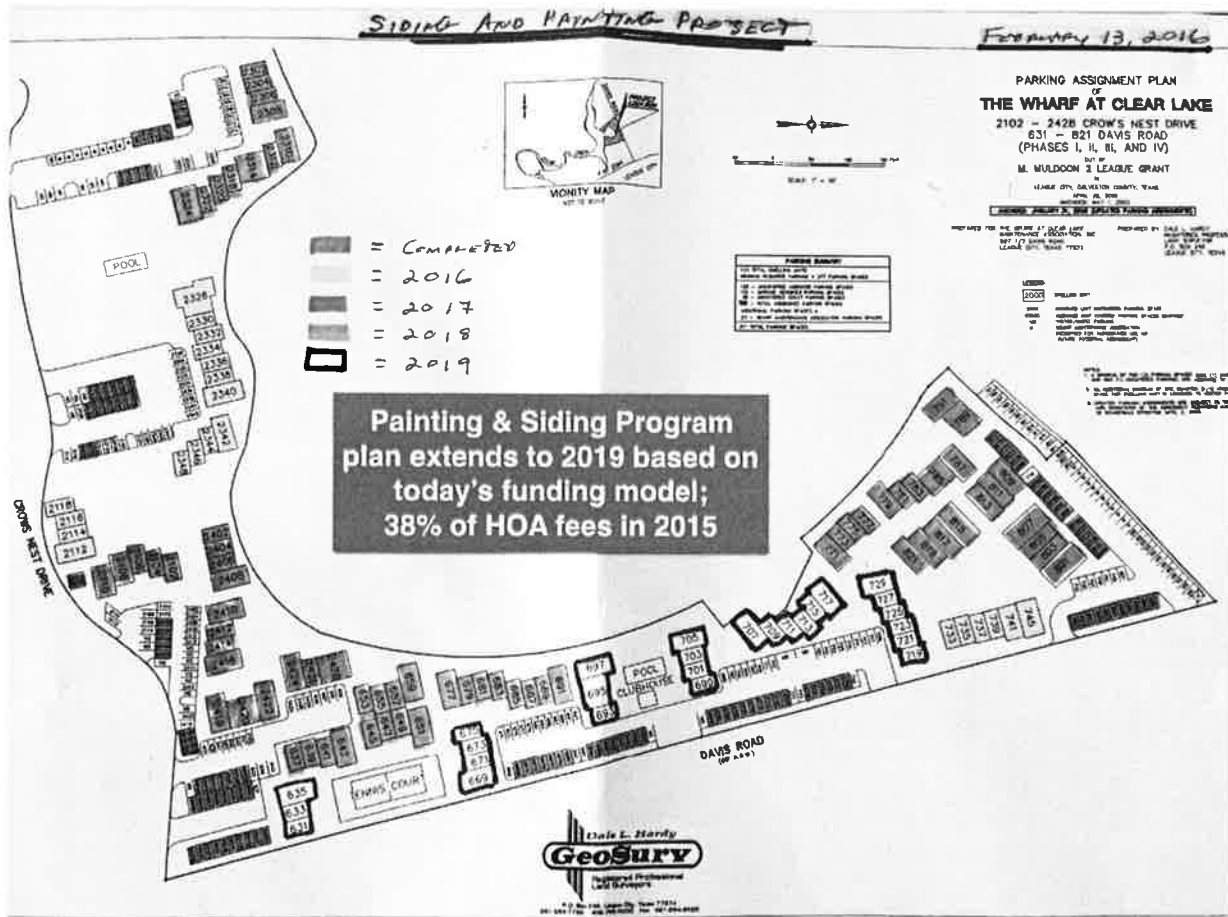
8.9 cents out of every dollar. Now we come to the Building Expenses which are the part of the home owner fees used to maintain our town homes, fix our decks, clean the pools, and every other item we repair or maintain. This fee amounted to \$122,094.00 or 38.2 cents out of each dollar. The final 6 cents of that dollar, or \$19,181.00 was spent on landscaping installation and tree trimming.

As you can see just over 55 cents out of every dollar taken in is used on required spending before we can get to any of the maintenance items. Certain issues, such as the theme tower repair and replacement and the cupola installation, was a one time expense which will not appear in the 2016 budget.



The money amounts spent and budgeted items mentioned above should give you a good idea of just how your \$250.95 of HOA fees are spent on a monthly or yearly basis.

Now that you have seen how the HOA dollar is spent we should perhaps then turn to the biggest and probably the most important item in the maintenance budget, the pricing for painting and siding. This current amount is about \$4,400 - \$6,400 per town home. The price was calculated by using current and historical pricing figures. The last quoted price we received to paint a town home was \$2,400. The price for the siding varies because of the condition, location, and square footage of the outside of each town home. However it usually falls in the \$2,000 to \$4,000 range. This is how we arrived at the price mentioned above. Painting and siding work will remain the priority maintenance item in the budget until all the town homes have been completed to the new higher standard of siding repair and semi-gloss painting that we started with the town homes generally to the north of the Davis Road pool. To date, all the garages have been painted and the siding has been repaired to the higher standard.



To answer the second question of when are you getting to my town home? combined with the question of, how do you plan to accomplish this goal? can be answered this way.

A plan to bring all the town homes up to the higher standard mentioned above has been developed by the Property Manager and the President of the Board. This plan will paint all the remaining town homes with the semi-gloss paint and address all the siding issues. The plan will be presented to the BOD in March for discussion and possible adoption.

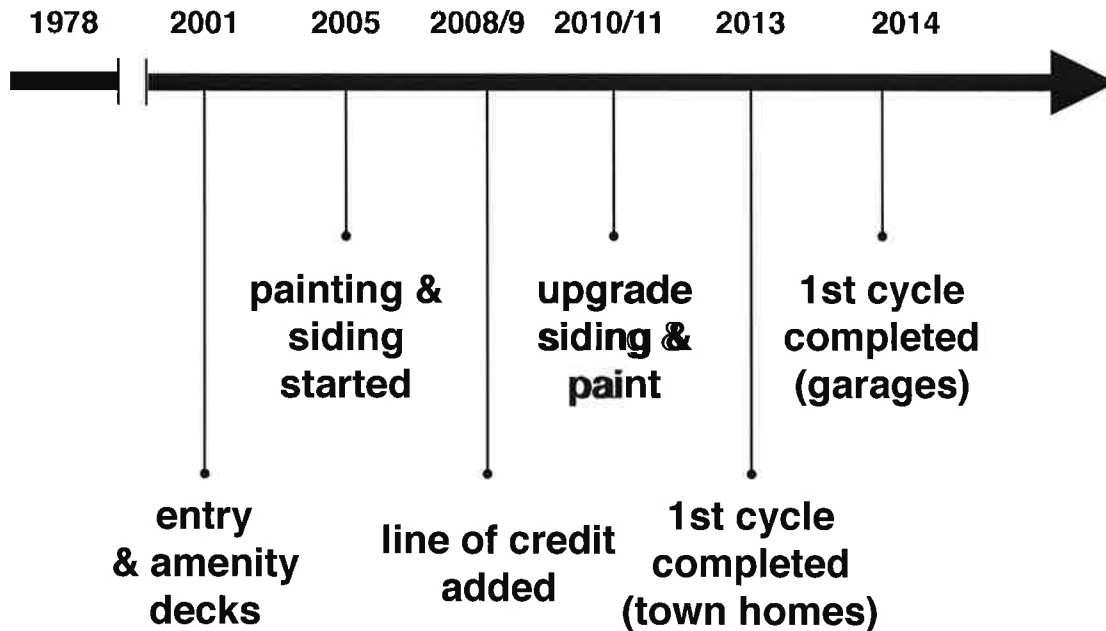
With proper implementation the plan **will take 4 years**

without any increase in home owner fees. The board used the first 9 months of 2015 to reassess our process and more importantly find a reliable contractor who could and is willing to do the work using the parameters we set out. All indicators confirm we have found that contractor. By the end of 2016 we plan to have completed 32 town homes, which include the 6 town homes on Davis Road that were not painted with the semi-gloss paint in the last cycle. Simply stated, the plan is to complete the 32 homes mentioned above in 15 months, and when added to the 22 town homes already completed up the higher standard at the north end, the total of completed homes will be 54. In 2017 we plan to finish 19 more town homes and in 2018, 20 more homes will be completed. In 2019 we plan to finish the final 26 homes. The end result will be that all town homes and garages will have been brought up to this higher standard of siding repair and all will have been painted with the semi-gloss paint. Then we will start the painting process again, however, the need for siding repairs should be greatly diminished and the painting will probably only require one coat for adequate protection.

To fully understand the how and the why this plan was developed one must really look at a timeline of how maintenance issues occurred and how they may or may not have been addressed in the past. Most of the maintenance problems that were facing the home owners when I moved

into the community in 2004 were ones that were caused by poor workmanship during the initial phase of the building of the town homes, by not addressing the problems in a timely manner, and by not having a solid financial plan in place that would allow the maintenance to occur in a timely way. I have been on the Board of Directors for ten years serving as Treasurer for 9 years and just completing my 7th year as President. When I got on the board in 2006 a painting and siding project had just begun in 2005 and an entry and amenity deck renovation program that started in the early 2000's was well underway. The deck program's main feature was the ability of the home owner to alter their amenity deck at their own expense to their own specifications as long as they followed the guidelines and received the approval of the ACC committee and Board of Directors. In return they would receive an incentive payment to help offset the cost. In addition, any future costs to maintain that deck would be the responsibility of the home owner. In 2006 the deck program was still consuming about 50% of the maintenance budget. In 2015 this program only represents about 3% of our budget.

TIME LINE



Cormac O'Reilly was the the other member of the board elected in 2006. He and I used that first year to really assess the situation at the Wharf with him serving as Secretary and with me serving as Treasurer. Cormac was elected as President in 2007 and we both began to suggest changes of methods of operation and financial modifications. The reserve of \$60,000 was sitting around in the bank idle and in our opinion not being utilized in the most effective way. We convinced the board to open a Line of Credit to replace the reserve and that money was used to remove two hazardous party decks. The remainder of the money was then spent to help reduce the number of ever-growing maintenance issues. The Line of Credit allowed us to have a proper cash flow

which in turn meant that our maintenance projects could move along in a more productive and effective manner. The LOC has served us well in the intervening years and now stands with a balance of \$144.

We also used that time to really focus on the painting and siding issue and in late 2007 Cormac appointed me to oversee the project and to work with the property manager and the contractor to come up with ways to make the program work more efficiently and effectively. Cormac left the board in 2010 and I was elected to the position of President. As 2010 moved into 2011 and with my and the property manager's recommendation the board decided to defer all work on the garages to really focus on the town homes. We increased the quality level of the decision making process for siding replacement and started to use a semi-gloss paint that better reflects the heat and light which in turn reduces fading. 22 of the town homes at the north end were completed using this model. We finished the first cycle town home siding and painting in 2013 and used 2014 to bring all the garages up to this higher standard.

2015 Wharf Work Completed

- ✓ **Two Buildings on West End (2302 - 2324) near complete**
- ✓ **Landscaping project along Davis Road**
- ✓ **Cupola installed (Tower removed in 2014)**
- ✓ **Driveways & Concrete Repair (throughout community)**
- ✓ **All exterior fencing repaired & repainted**
- ✓ **HOA Boardwalk pressure washed & boards replaced**
- ✓ **Surveillance signage & North End Trees Trimmed**

Which now brings us back to my normal slide one presentation with current information on the projects that were completed in 2015. The siding and painting project that was started in 2005 has been completed and the cycle has started again on the west end of the complex with the two buildings that had by far the most egregious siding issues. Those two buildings should be completed by the time of the annual meeting in February of 2016. All garages have been totally refurbished and should only need re-painting in a timely manner in the future to stay in great condition. Vivian

Cardosa and her landscaping committee started a landscaping project in the common area along Davis Road to enhance the landscaping in the front of our community and this project was completed in early 2015. Another project to remove and make safe the Davis Road Pool theme tower was completed last summer that replaced the very dangerous tower with a cupola that reflects the nautical location of our community. The primary feature of this cupola is the lighthouse appearance that is now a main attraction at the Wharf. Concrete work to repair our driveways and sidewalks is well under way and all driveway entrances and the potholes on Crow's Nest and at the west end parking lot have been recently repaired. All the exterior fencing around our community was renovated, repaired, and painted. The portion of the boardwalk that the HOA maintains was professionally power washed and boards that were severely cupped or rotten were removed and replaced with new boards. Finally, based upon recommendations provided by a representative of the League City Police Department and an ad hoc committee of home owners, signage was added at strategic locations within the community detailing increased surveillance. In cooperation with the Slip Association the oak trees at the north end were pruned to allow the lightning to get through to better illuminate the parking lot. Before completing this section of the report, I would like to take this opportunity to commend the Slip Association and the slip owners involved for their truly remarkable effort of joining

together and removing the water hyacinth plague that infested our marina last Spring. A wonderful example of community spirit and involvement.

SUMMARY

1. Focus remains on painting & Siding

2. Three Options going forward are:

- **Continue and implement plan - no fee increase**
- **Assessment (67% approval) \$1,000 per years reduced**
- **Owners assume HOA Costs - fee simple homes!**

3. Discussion after election

The primary focus of the Board of Directors will continue to be the maintenance of the outside of our town homes, garages, swimming pools, common areas, and other items of infrastructure. The siding and painting programs will continue to receive the largest percentage of the maintenance budget until all the remaining town homes have been brought up to the higher standards mentioned previously. During my tenure on the Board of Directors I have seen a workable plan developed that features a financial aspect that allows for work to progress at an acceptable pace and a maintenance plan that protects and improves our investment in our homes. The financial meltdown in our nation's economy starting in 2007 that completely flatlined the Consumer Price Index we use to determine any HOA fee increases, did not stop us from moving forward with our projects. However, it did force the board to scrutinize every dollar to make sure it was being used in the most effective manner possible. We have not had a home owner's dues increase since 2009, but we have still managed to make remarkable progress with the maintenance projects we have completed to bring our community back from years of neglect and the initial poor workmanship of the original structures. Going forward from this point I see three paths that the Association can follow: #1 We could continue as we are and have all the town homes brought up to the standards of the 22 town homes at the north end in 4 years. This option will require no home owner fee increase. #2 We could

14 of 15

perhaps approve an assessment that would require 67% home owner approval. For each \$1000.00 of assessment one year could be removed from the time line, and #3 we could have the owners assume some of the costs for maintenance or other budget items. I intend to use this option myself this year to pay for the painting of my town house as I do not want to wait until 2019. I think the benefits derived from having my siding protected sooner, having a home that looks nicer and one that is less costly to cool because of the reflected heat from the semi-gloss paint, makes perfect sense to me.

Finally, I am very pleased to see so many of my neighbors have invested in their homes by way of renovation and landscaping installation during the past few years. To me, that indicates pride and a commitment in this community. The feedback I receive from realtors who show homes at the Wharf is very positive in regards to maintenance, beauty of the locale, and management of the community. We all live here in a very beautiful, scenic, and wonderful place. I am very proud to call the Wharf my home. I will continue to devote every effort possible to making sure that that the investments of time and money we are making in our homes is protected and secure, now, and in the future.

Thank You