

SYCAMORE CREEK HOMEOWNERS'  
ASSOCIATION, INC.

February 28, 2003

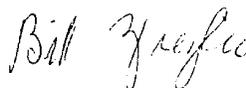
Dear Homeowner:

It is with regret that we must announce yet another increase in the monthly association fees. Starting with your April 2003 payment, the association fees will be \$115.00 per month. The projected 2003 budget, which was distributed to all owners late last year, anticipated a 20% increase in the cost of hazard insurance. This projection was due to the heavy loss we experienced when a fire destroyed one complete unit and caused smoke and water damage to three other units. In addition a unit experienced a large water/mold claim, and another unit a water pipe claim. The total loss to the insurance company for these three claims approached \$400,000.00. This loss is nearly twice the total premiums paid for hazard insurance during the 19-year history of this development. The association was notified in early February that the association policy was being cancelled due to these losses. Through my combined efforts working with the association insurance agent, we were able to get the insurance carrier to withdraw the cancellation notice and continue the policy without interruption. Unfortunately, this agreement to continue our insurance coverage comes with a high cost. The new premiums are \$29,732.00 a year. This is an increase of \$15,267.00 (100%) over the prior year. In addition, the new deductible will be \$2,500.00 per claim except for water damage, which will be \$5,000.00 per claim. All deductibles are the responsibility of the unit with the claim. There will no longer be coverage for mold damage. Water pipe breakage will now be the responsibility of the unit owner. It is strongly suggested that all owners examine their individual condominium policies to make sure that they have adequate coverage for these costs.

All owners should be reminded that the only persons authorized to contact the association insurance carrier/agent is either an officer of the board of trustees or a representative of the association management. Any claim submitted by any other person will not be valid.

Please be assured that several other insurance companies were solicited for consideration before the board of trustee's decision was made to continue with our current carrier. Unfortunately we have been identified as a high risk. Other agencies are not eager to accept our business. However, when at least three years pass without a claim, an adjustment in premium may be possible. Because of this dilemma, it is necessary to raise the association fees by \$15.00 a month to cover the increase in costs. Again, starting with your April 2003 payment, the association fees will be \$115.00 a month.

Sincerely,



President

Enclosures (2)

- 1) Policy letter – Hazard Insurance
- 2) Policy letter - Fees