

June 13, 2024 Receiver/Unit Owner Outline

1. Introduction

a. On the Zoom:

- i. Daniel Stermer, Receiver
- ii. George Shoup from DSI
- iii. Brian Rich/Michael Niles from Berger Singerman, LLP
- iv. Alessandra Stivelman/Alex Alonso from Eisinger Law

b. Who Am I:

- i. Daniel Stermer
 1. Prior City Commissioner for the City of Weston
 2. Prior Mayor for the City of Weston
 3. A fiduciary
 - a. What does this mean?
 - b. A Receiver is a fiduciary that serves as an officer of the Court and acts solely on the Courts behalf to protect property pending a resolution of an underlying dispute.
 4. How long and for what kind of cases:
- ii. Website
 1. We want to remind everyone that the Receiver is posting all court filings and other updates on the Receiver's Website Heronpondreceiver.com. Please check this website on a regular basis as this is the most effective way to communicate. If you have not provided your updated contact information, please do so by sending an email to Heronpondreceiver@DSIconulting.com

c. Order Approving Receivership Dated April 26, 2024:

- i. On April 26, 2024, Judge Tuter of the Broward County Complex Case division entered an Order appointing myself as Receiver over the Association. As part of my duties, I stepped into the shoes of the Board and am authorized to make decisions on behalf of the Association in my business judgment.
- ii. Since that time, I've employed several additional professionals to assist me in carrying out my duties. I will provide some additional information regarding these professionals shortly.
- iii. Of utmost importance is to make sure the life and safety issues on the property are identified and rectified for the benefit of current residents and owners. These Life safety issues are paramount, in addition to the insurance related issues my team and I are working on
- iv. Since my appointment, my team and I have met with the following individuals:
 - v.
 1. City of Pembroke Pines
 - a. On May 1, 2024, my team and I met with City officials and representatives to discuss the status of Heron Pond. I have a

good working relationship with these individuals, and they appreciate my appointment as receiver.

- b. We continue to communicate and be transparent with the City. At the end of May and beginning of June 2024, the City granted my request to extend certain of the construction permits to allow the ongoing work on the buildings to continue and to allow the necessary shoring and fences to stay in place on the Property.

2. Prior counsel (Pardo, J. Stevens, Ben Solomon)

- a. We have had discussions with the Association's prior counsel to get a better understanding of the Association's issues and the representations by the prior Board. We have taken over the Associations' representation in the State Court matters and have stayed each of those cases while the Receivership is pending to preserve resources and have had all of the matters transferred to the Receivership Court by agreement.

3. ACG Engineering Services, Inc (Henry Kreh)

- a. We continue to engage with ACG Engineers and have met on site with them several times to discuss the status and conditions of the buildings. He continues to review and assess the condition of the Buildings.

4. Tri-Star Construction representatives (Alex Rios)

- a. We have met with Mr. Rios and his counsel David Bakalar regarding the status of construction and the ongoing litigation on a number of different occasions. Currently the litigation against Tri-Star is stayed to avoid unnecessary costs and expenses. On May 31, 2024, we provided Notice to Mr. Rios that all ongoing construction should temporarily cease as we assess the engineers reports and construction plans. We want to be sure that money spent on the repairs and rehabilitation of the property are correct and most advantageous to Heron Pond.
- b. Mr. Rios has advised that the work necessary to complete is outside the scope of the original and amended contract. Based on my inspection of the Property, there has been significant additional work to at least Buildings 2 and 3, which were not apart of the original contract, but necessary and required by the City. We continue to work with Mr. Rios to determine the total cost to repair the buildings and obtain a Certificate of Occupancy from the City. Notwithstanding, we have also engaged an independent engineer and contractor to get a second opinion on the costs and work needed.
- c. The Current Contracts with Tri-Star
 - i. Contract for Buildings 2, 3, and 10:

1. Total Contract Price of \$ 539,000.00 (April 3, Contract)
2. Mr. Rios has alleged additional work completed to these buildings for an additional amount owed of \$380,000 per building.
3. We have engaged in discussions with Mr. Rios regarding this amount owed.
4. While there is current litigation pending on these matters, they are all stayed and we are reviewing the pleadings filed by the Association's prior counsel.

ii. Contract for Buildings 5,15,16

1. Total Contract Price \$533,250
2. Tri-Star Construction has confirmed the \$150,000 Deposit for the work to be performed on these buildings have not been spent.
3. We are working on a resolution and path forward regarding this Contract.

iii. What is the Total Cost of the rehabilitation going to be: We don't know and are working to determine how much this will be. It will be more than what the contract price says.

5. Cost Construction Representatives (Alex Rios)

- a. Mr. Rios is also the representative of Cost Construction. Cost Construction is providing Heron Pond with the Shorings and fencing around the closed buildings. The monthly cost for the shorings and fences is \$11,739.00 and \$1,950.00 respectively. We continue to pay the invoices on these items to be sure the Property is protected and secured.

6. Representatives of Federated Trust Foundation

- a. My team and I have had several conversations with representatives and counsel for Federated Trust. We understand that there have been accusations going both ways between Federated and the Association. We make no predetermination as to any such allegations- both ways.
- b. On June 10, 2024, the Trust, which owns 111 units on the Property paid their monthly assessments of \$352,481.98 for the period December 2023 through and including June 2024. This money will be used to pay for insurance, continue engineering and construction, and other expenses of the Receivership.

- c. We are grateful to Federated Trust for paying their agreed upon monthly assessment and are working with them to reconcile a small amount of the contested monthly assessments the amounts owed for the prior special assessments.
- d. We would ask that all Unit Owner's comply with their obligations under the Association documents and timely pay monthly assessments and the special assessments that were previously approved by the BOD prior to my appointment.

7. Independent Engineering and Contractors

- a. We have engaged Specialty Engineering and BBS Construction as an independent engineer and contractor to assess the condition of the buildings.
 - b. You may have seen an additional engineer inspecting Building 9. We have asked Specialty Engineering to provide an independent assessment of the Buildings that remain open for tenancy to be sure that these Buildings are in fact safe for continued occupancy and to get an understanding of the work needed to bring the Buildings to a livable and safe condition. BBS is on site to help remove portion of the outside structures for the engineer to examine the buildings and to ultimately provide a separate quote as to what the estimated cost of construction will be.
 - c. We hope to have an update from Specialty Engineering as to their inspection of Building 9 very soon.
- vi. I want to be clear in my and my team's intentions. At this time, we have no preconceived notions about the ultimate outcome of this very difficult situation.
 - vii. We have and are engaging the necessary professionals to help determine the cost and time needed to rehabilitate the 19 Buildings. As you know, some of the buildings are in worse shape than others. Additionally, we understand several of the buildings are without power, and will not be reconnected by the City until the buildings are repaired. This may cause additional damage to the individual units.
 - viii. We have received on multiple occasions inquiries from developers regarding the status of the Property and whether Heron Pond is for sale. My response has been unwavering: the Property is not for sale and I do not have any present intention of selling the property at this time.
 - ix. We are factoring in all of this information to ultimately determine the total cost and time it will take to rehabilitate the Heron Pond community. Once we receive a reliable cost estimate and schedule for the repairs, we need to consider whether the rehabilitation is in the best interest of the entire Heron Pond Community. Put bluntly, we need to determine whether the Unit owners will be able to afford the potential special assessment needed to fund the necessary repairs. We will seek input from the Unit Owners once we have this information. We do not want to put Unit Owners in a position

where they would lose their units involuntarily by requiring a Special Assessment in place that is not affordable for the majority of unit owners.

- x. In December 2023, the prior Board passed a Special Assessment for the first stage of the construction project for all 19 buildings, covering balconies, bay windows, and stairs. This Assessment totaled \$3,451,813 and would be collected in quarterly installments commencing in January 5, 2024. To date, two installments we billed in the amount of \$862,954 each (\$1,725,908 total) and \$465,340 have been collected though May 31, 2024. This collected amount represents approximately 27% of the total billed to date. There is currently \$310,156 in the Association's Special Reserve bank account. As of the last financial statements prepared for the prior Board for the month ending April 30, 2024, \$95,679 has been expended on Special Assessment related expenses. We still need to collect \$1,263,686 from this prior Special Assessment. Please know, based upon the information we have to date, this original assessment will not be sufficient to cover the costs of the rehabilitation, and another, most likely sizeable special assessment will need to be collected. We are actively working to determine this amount.
- xi. While we want to expedite the rehabilitation of the Buildings to allow people to return to their homes, we need to be sure there is money to fund that process. It is not in anyone's best interest to start the rehabilitation process and not have sufficient funds in queue to finish the job. We will remain transparent and open through the Receiver's website and responses to your inquiries regarding these issues.

d. Insurance:

- i. Another paramount issue is Insurance:
 - 1. As you may have learned in the *Notice Of Status of Insurance* my team filed on May 6, 2024, on April 8, 2024, the Association's Property Insurance company dropped the property and casualty insurance policy.
 - 2. We have been actively researching the insurance market with the Association's Insurance Broker, Assured Partners to obtain appropriate property insurance. We have been assured that the Broker has fully tested the market and that these policies represent what is available for the Association's insurance needs.
 - 3. On June 12, 2024, we filed a Motion seeking authorization to enter into the following insurance policies. The Court set a hearing on June 20, 2024. There is an immediate need to obtain general liability insurance as the current policy expires on June 20, 2024. The Property insurance quote is significantly higher than prior policies.
 - a. Property and Casualty:
 - i. The total annual Premium for the Property and Casualty Insurance is \$522,488. The Total Insured Value of the Property is \$24,338,305, but the Policy Limit is \$5,000,000. The Term of the policy is June 21, 2024, through June 21, 2025.

- ii. This is significantly greater than the Association's prior policy of \$174,000 which provided similar coverage with a Total Insured Value of \$24,338,305 and a Policy Limit of \$5,000,000.
 - b. The General Liability Policy
 - i. The total annual premium for the General Liability Insurance Policy is \$43,709.40
 - c. The Excess Liability Insurance Policy
 - i. The Total Annual Premium is \$4,195.79. The Excess Policy provides additional coverage of \$1,000,000.
 - 4. As set forth in our Motion, the Association does not currently have sufficient funds to pay the full amount of premiums. The Policy Premiums will be financed over the term of the policies. It is vital for Unit Owners to continue to pay their monthly condominium assessments, in order for the Association to be able to afford these Insurance Policies on a go-forward basis.
 - i. The 2024 annual budget included an amount of \$360,000 for all insurance costs. Through May 31, 2024, no insurance payments have been made and the increased costs for the new policies will exceed the prior budgeted amount by approximately \$165,000 for the entire 2024 year. This amount included the additional costs related to the estimated financing costs of the policies to avoid having to pay the entire annual premium up front.
 - 5. It is vital that the Association maintains coverage. However, it's important to understand that given the condition of the buildings, each of the policies require a 100% earned premium clause upon inception. Which means that the Association will not be entitled to a refund in the event the policy is terminated at a later date.
- e. **Renting Units**
 - i. Based upon the Receiver's understanding that Insurance will be in place on or before June 20, 2024, the Receiver is consenting to the continued and future leasing of the Units so long as the appropriate disclosures are provided to potential tenants. A copy of the Disclosure was emailed to all unit owners on June 6, 2024 and posted to the Receiver's Website.
- f. **Cost of Receivership.**
 - i. Since our appointment, my team and I have been working tirelessly to bring Heron Pond back on track and find a viable solution for the unit owners and residents. As set forth in the Judge's Order, my team and I are paid on an hourly basis and we are directed to file our fees and expenses on the 10th of every month. We filed our first Statement of Inventory on June 10th, 2024, and a copy of the statement has been uploaded to the Receiver's Website

for your review. Note this is not an Invoice, and we are not seeking to get paid at this time, however, we will seek to be paid.

- ii. The Receivership will be expensive, not because we want to bill time, but because of the myriad of issues. My team and I are working as efficiently as possible to seek the best outcome for the Association and its owners. The more issues we take on, the more expensive the receivership will be. As I said previously, My sole job is to work for the Court to reach the best outcome for Heron

g. **Accounting:**

i. Operating Cash/Reserve Amounts

- 1. Operating Account: Truist Bank #1589: \$72,083
- 2. Reserve Account: Truist Bank #1597 \$1,506
- 3. Special Assessment Account- Truist Bank #1600 \$310,156
- 4. Operating Account- Popular Bank #2537 \$47,145
- 5. Reserve Account- Popular Bank #2626 \$5,489
- 6. Special Assessment Account- Popular Bank #2595 \$169,963
- 7. Legacy Operating Account - Ocean Bank #2805 \$608

8. Total Balance: \$606,949

h. Assessments

Owner Assessments Receivable (May 31, 2024 balance)				Prepaid - Applied	Pd. June 10, 2024	Balance	Change from Prior Month	# of Units Estimated
	Pre Dec-23					\$ 190,449		
	Dec-23				\$ (49,951)	\$ 140,499		
	Jan-24	\$ 138,901	\$ (82,949)	\$ (7,232)	\$ (50,422)	\$ 138,796	\$ (1,703)	
	Feb-24	\$ 138,898	\$ (76,794)	\$ (5,620)	\$ (50,422)	\$ 144,858	\$ 6,062	13
	Mar-24	\$ 139,623	\$ (85,544)	\$ (3,824)	\$ (50,422)	\$ 144,691	\$ (167)	-
	Apr-24	\$ 138,998	\$ (81,418)	\$ (4,696)	\$ (50,422)	\$ 147,152	\$ 2,462	5
	May-24	\$ 138,873	\$ (63,257)	\$ (12,152)	\$ (50,422)	\$ 160,195	\$ 13,042	28
	Jun-24				\$ (50,422)	\$ 109,773		Includes June paid
		\$ 695,291	\$ (389,961)	\$ (33,524)	\$ (352,482)	\$ 109,773		
Special Assessments Receivable								
	Dec-23					\$ -		
	Jan-24	\$ 862,953	\$ (149,786)	\$ (6,147)		\$ 707,020		1st 2024 Assessment: 197 unpaid
	Feb-24		\$ (23,745)	\$ (392)		\$ 682,883		
	Mar-24		\$ (60,184)	\$ -		\$ 622,699		
	Apr-24	\$ 866,073	\$ (150,028)	\$ (41,359)		\$ 1,297,385		2nd 2024 Assessment: 246 unpaid
	May-24		\$ (31,584)	\$ (2,116)		\$ 1,263,686		
		\$ 1,729,027	\$ (415,327)	\$ (50,013)		\$ 1,263,686		
i.	TOTAL	\$ 2,424,317	\$ (805,288)	\$ (83,537)		\$ 1,373,459		

i. Collection Efforts

- i. On June 10, 2024, we received payment of the monthly assessments from Federated Foundation Trust.
- ii. Eisinger Law is working on demand letters based on the last set of NOLA's and ledgers forwarded by the Association's accountants and intend to get those demand letters out by the end of this week.
- iii. Please pay your monthly assessments and special assessments. The filing of the Receivership does not excuse payment of assessments and the funds are necessary to continue the operations of the Association.

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2. Next Steps

- a. Obtain approval from the Court to enter into the Insurance Policies
- b. Allow Specialty Engineering to complete their review of the Buildings and provide the independent updated Building Status and obtain additional opinions from other Engineers
- c. Negotiate with Tri-Star Construction and any other contractor
- d. Make a decision, based upon the information gleaned as to how to proceed. This will involve a determination of a new special assessment to pay for the work needed to be done and whether that assessment is actually feasible for the Unit owners.**

3. Q & A;

4. Adjournment 7:30 p.m. ET.

- a. Thank you for attending this meeting, we understand that this is not a situation that you wish to be apart of, but we truly appreciate your cooperation. Your cooperation will help expedite the goals of the Receivership and reduce costs. We will continue to keep you updated through the Receivership's website, emails, and future meetings.