

Opening Statement

Good morning. I'm Mike Ratchford. I'm a long time resident of Ocean Ridge Plantation. My wife and I bought our first building lot in Ocean Ridge Plantation in March of 2001. We drove into the plantation on the last day of a short visit to Sunset Beach and bought a lot before we left. We then proceeded to buy another lot several months later on which we built our current home in 2007. We also bought three lots in Jaguar's Lair in 2006 which we held until we sold them in January of this year as a result of the sharp increase in property owner assessments from 2020 to 2021. And so, we've been owners of both undeveloped lots and a developed lot for a long time now. More on this in my response to question 4 c).

As you know, I'm running for the ORMA board of directors. Should I be successful, I intend to run for the position of President as I believe that I'm the best candidate, those running now as well as those existing directors who are not up for reelection, to lead ORMA through these trying times.

Since it has become known that I'm running for the ORMA board of directors, the first question that people ask me is "am I for or against the new amenity center." I simply answer "No." I'm neither for nor against adding to our amenities. I am for a board that looks at all sides of an issue in an objective manner prior to making a decision without letting their personal opinions get in the way. I am for a board that is willing to compromise when faced with a sharply divided membership with strongly held opposing views. I am for a board that fully understands the governing documents and the laws of the state of North Carolina and utilizes that knowledge to best serve the diverse interests of the association. I am for a board that operates fully in the light of day with complete transparency, especially with respect to the decision making process. I'm for a board that understands that their rightful role is that of oversight and not managing the day to day operations of the association.

I'm a problem solver. I believe in data based decision making. I'm against sloppy analytical work. I'm against those who fail to do their homework. I consider the analysis of the results of the Amenity Center Survey a case in point. Most thinking individuals would recognize that the results of that survey are subject to more than one interpretation, yet the board seems to be deaf to the arguments that show the flaws in the design of the survey and in the analysis of the results. More about this later in the response to question 1 a).

I'm a leader whose is biased for action. I'm against a board which fails to make timely decisions and lets problems drag on longer than they need to. One of my biggest frustrations while I served as Chairman of the Facilities Committee was how long it took to get the board to make a decision, even for items that were clearly within the previously approved budget.

I'm against a board which believes that their role is to avoid all risk as opposed to assessing risk and determining which risks are acceptable, with proper mitigation, and which are not. Another source of frustration for our committee volunteers is the insistence by the board of strict adherence to policies which may or may not apply to a given situation. I have been providing leadership in the aerospace industry for over 50 years where the need to identify and mitigate risk is a fact of life. Avoiding all risk is a recipe for inaction and we seem to be good at it.

I'm against bureaucracy. I believe that the ORMA committee structure is far too complicated and needs to be simplified. My first observation as Chairman of the Facilities Committee was that, at each of our amenities, there had been recent confusion about projects that were being managed by some other committee other than the subcommittee that was responsible for that amenity. In some cases, this involved four different committees. Shortly after I resigned, a fifth committee was established which impacted all facilities projects and further slowed down progress.

Clearly I believe that the current practices of the board can be significantly improved upon and I'm the leader who can best accomplish this.

Questions and Answers

1. Ocean Ridge is considering a new Amenity Park

a) Do you support or oppose the expansion plan, and why do you take that position?

I reviewed the summary report on the Amenity Center Survey and also took the time to go to the CAMS office and read all 3,714 comments to the survey questions. These reviews have resulted in the following observations:

- The basic approach to the survey is, in my opinion, flawed. The concept of doubling single responses from a single property response and then multiplying these responses by the number of properties owned leads to misleading results. You cannot extrapolate opinions of one respondent as if that person's responses automatically applied to the other owner. Also, it is not possible for real estate to have an opinion. When it comes to voting, the CC&Rs limit the vote to one per property. While this was a survey, I believe that it would have been appropriate to follow the CC&R rules.
- The summary of responses to many of the questions tabulated the percentage of answers for those who answered the question, not the percentage of all of the respondents to the survey. This leads to distorted results such as claiming that 54% of the respondents said that they would be willing to pay more than \$350 in additional assessments for a new amenity center in response to question 26, but only 66% of the respondents to the survey answered that question. Multiply 54% by 66% and you get only 36% of the respondents who indicated that they would be willing to pay more than \$350 in additional assessments. The report goes on to say the 46% of respondents would be willing to pay \$200 more, but 2/3 of this is only 30%. If you read the comments you would see that most of those who did not answer the question stated that they didn't answer the question because there was no lower value than \$200 and that they would not be willing to pay any more.
- With regards to the questions related to satisfaction/dissatisfaction with Ocean Ridge, the biggest concern was not the capacity of the current amenities. It was with the lack of secure

entrances to the community, the conditions of the golf courses, the conditions of the ponds, the general dissatisfaction with the developer and lack of transparency by the Board of Directors.

- With respect to the current amenities, the data presented in the survey summary did not show a major issue with the current amenities other than parking at the plantation club and the beach house. Proposed solutions to the parking limitations at the Plantation Club have been presented to the board since as long ago as 2014, but none have been acted on.

The bottom line is that the survey does not present the board of directors with a clear mandate to significantly increase the annual homeowner's assessments to build the type of amenity that has been presented to the community as being absolutely needed.

1 b) Do you support or oppose a vote by all community members on the final

total cost of the Amenity?

While I did not sign the circulating petition requesting a majority vote by the membership on major expenses such as the new Amenity Center, I did write to the Board of Directors encouraging them, while they were finalizing the budget for 2022, to segregate the expenses related to the new amenity center from the base expenses and to include them in a special assessment. Per section 10.6 of the CC&Rs, special assessments require a majority vote of all eligible members for approval.

Members of the board of directors have stated on several occasions that they believe that the currently envisioned amenity center is supported by a majority of the members. My point in recommending that they cover the expenses for the new amenity center with a special assessment was that, if they were so sure that the envisioned amenity center was supported by a majority of members, there was little risk of disapproval of the special assessment. On the other hand, a special assessment gets around the question on whether or not the board is permitted by the CC&Rs to delegate decisions to the membership. Furthermore, this approach would go a long way towards bridging the divisions that exist and are growing within the community.

My suggestion seems to have fallen on deaf ears.

2. Board Authority

a) Do you believe the Governing documents need updating?

- If yes, why, and what would be your focus?
- If no, why?
- What are your thoughts on amending bylaws to govern Board

spending,

No, I don't believe that the governing documents need to be updated with the possible exception of modifying the bylaws to require a special assessment for projects with spending levels above a specified amount. I oppose the change to the bylaws that was just announced by the current board on several grounds. First, the level of increase that the board can unilaterally implement is too high. Second, the

proposed method for raising the limit is too limited in that it only requires a majority vote of 20% of the membership at a special meeting. Third, the board is trying to schedule the meeting to approve this change for Jan 12 immediately after the holiday season. Since the proposed change would not take effect until the preparation of the 2023 budget, what's the rush to get this amendment approved. The bylaw change does not impact the increase that we know is coming for 2022. Finally, it does not address the concerns of the membership about not requiring a vote of 50% of the membership for large expenditures.

3. Administrative/Misc

a) It was recently announced that the "safety and security" of the community will be restored, by gates and a manned guardhouse.

• Is this a high priority for you to see accomplished in a timely manner?

I haven't seen any data indicating that we have a safety and security problem, i.e. summary of all crimes committed within the plantation, other than the one house in Jaguar's Lair which has been broken into on multiple occasions. Having said that, since we are now contractually committed to install access gates, we should proceed quickly to accomplish this.

4. Financials

a) What are your views on the current financial status of the HOA?

b) *ORMA has aging assets.* What is your position concerning investing in operations, maintenance, reserves, and enhancement of ORMA facilities?

I believe that the strength of ORMA's financials is very good. We have a strong finance committee and we have processes in place to minimize the risk of surprises to our financial health. CAMS manages our book keeping and accounting using a modified accrual basis, which is common for HOAs. We have performed reserve studies regularly to support robust planning of our reserve account so that future maintenance, repair and replacement of our assets do not jeopardize our financial stability. Our budgeting process includes a review of the needed maintenance, repairs and replacement based on these reserve studies which are conducted by recognized outside experts. A good example of our financial resilience is the ability of the board to absorb the nearly half million dollars in losses from the February 15, 2021 tornado without the need for a special assessment. In addition, we hire outside firms to conduct audits of our books each year to be sure that they are in order.

In my opinion, the biggest risk to our financial security is the uncertainty that comes with a multimillion dollar construction project such as the one proposed for the new amenity center. I believe that, because of the size of this project and the risk that it poses, it should have been a subject of a special assessment which requires a vote of a majority of the membership. I recommended this to the ORMA board before the 2022 budget was finalized, but they did not accept the recommendation.

c) *Would you support any reduction in HOA fees for undeveloped lot*

owners?

a. If so, do you see any difference between lots based on location within the community? (Waterbrook Woods, Jaguars Layer, or the original campus and how would you proposed to finance the shortfall?

To my fellow Jaguar's Lair suffers, I feel your pain. I too got caught up in the excitement about the promise of Jaguar's Lair in 2006, so much so that I bought not one, not two but three lots. After the bubble burst, I had to come out of retirement and earn my way out of debt. In the meantime, I continued to pay the full annual assessments on all three lots in addition to the home that we built on a fourth lot in 2007.

When the annual assessment increase for 2021 over 2020 was announced, I wrote to the board and asked them to, once again, consider utilizing the power provided by the governing documents that allows them to assess owners of undeveloped lots up to 50% less than the assessment on developed lots. My request was denied. Essentially, the response from the board was that everyone makes investment decisions and they sometimes do not work out. Faced with this situation, I had two choices. One, continue to pay the full assessments on all four lots. Two, sell the JL properties. I chose the latter and sold all three lots for less than 2% of what I paid for them. I no longer have an issue with paying assessments on undeveloped lots in Jaguar's Lair.

This is a decision that each JL property owner will have to make, if you have not already done so. The purchasers of my three lots were individuals who lived in the local area. I believe that they bought the lots for access to the Ocean Ridge amenities on top of the potential investment opportunity. Should they also be granted a reduced assessment?

The bottom line is that there is no role for the association or the board to play in resolving the unfortunate situation at Jaguar's Lair other than to lobby the town of Sunset Beach to reject the revised plans and to provide services consistent with those provided to other villages in the association.

If I'm elected to the board, I will fight to make both of these things happen, but I'm afraid the ship has sailed on reduced assessments for unimproved lots.

4 d) If elected, will you insist that all contracts, leases, and other legal obligations undertaken by the Board be made available to homeowners?

I believe that ORMA is already required by Chapter 47f of the North Carolina General Statutes to make these documents available to all members of the association.

5. Community Relationships

a) How would you support outreach efforts to existing undeveloped lot owners to better understand their needs and get them to reconnect and recommit to ORP?

I support board outreach to all property owners. You do this by improving board transparency.

The current Board of Directors has made a number of efforts to improve their communications with the membership. Some examples include the recent open house presentations for the new amenity center, the posting of Q&A from board meetings on NABR, and board reports in the quarterly newsletter "Changing Tides." What is lacking with respect to board transparency is transparency in the decision making process.

The current board works on what the previous president referred to as a cadence. The cadence specified standard activities that the board would participate in during the various weeks of each month. One of these weeks was designated for a planning session, also referred to as a board workshop. This is where the real work of the board takes place. During this session, board members bring up topics in need of board attention and the board debates them and makes decisions. This not considered by the board to be an official board meeting. It is not open to the membership and it appears that no minutes are taken. This typically occurs during the third week of the month in preparation for the official board meeting in the fourth week. The only thing that happens during the official board meeting is to ratify decisions made by the board prior to this official board meeting.

This board "cadence" is problematic from several perspectives. One is that the committees that actually manage the affairs of the association often have to wait an inordinate amount of time to get a decision from the board if their input is not received at the appropriate time during the month. I've experienced this first hand when an official board meeting was moved up a week and there was no planning session for that month. The committee was delayed over a month in getting their request before the board for consideration. More importantly, these working sessions, during which most of the business of the board takes place, are hidden from the membership. They are de-facto board meetings which require that they have an agenda, that Robert's Rules of Order are followed and that minutes be recorded., but the board does not treat these sessions as board meetings.

I agree with the school of thought that anytime that a quorum of board members is present and association business is discussed, it is, in fact, a board meeting and is subject to all of the rules that apply to board meetings, including the taking and reporting of minutes.

6. CAMS Relationships

a) What are your thoughts about CAMS operations and support?

While I was serving as the Chairman of the Facilities Committee I had ample opportunity to work with CAMS. I had no issues with their ability to provide the services that they have been contracted to supply to the Association.

7. Developer Relationships

a) *ORMA has ongoing discussions with our Developer, Coastal*

Communities, regarding all aspects of their business practices here.

- **What is your position on how best to move forward with this relationship?**

- **What kind of relationship do you think the Board should have with the Developer? (Cooperative / Adversarial / None)**

b) Our bylaws provide that the architectural standards committee (ASC) is a committee of ORMA, although the Developer administers it.

- **If elected, will you require the ASC to report to the Board periodically (like other committees) concerning its activities, including.**

Like it or not, ORMA's future success is tied to that of the declarant and ORMA needs to behave accordingly. We need to have a cooperative relationship with the declarant in order to get things done that are important to the membership. That being said, we need to hold the declarant accountable when the declarant's practices run contrary to the requirements of the governing documents. The ASC is one area in which I believe that the declarant is acting contrary to the requirements of the governing documents in that ASC fees are being paid to and kept by the declarant. The current board does not seem to understand that these fees are rightfully ORMA's. In addition, I have not observed any effort by the board to provide oversight of the ASC as required by the governing documents. I have shared my concerns regarding this with the board and will continue to drive the board to address this issue when I'm elected to the board.

8. Jaguars Lair

a) There is a newly proposed development of tract homes by the Developer.

§ What is your position on this as it applies to protection of the current owners' property values?

As I said in my response to question 4 b), the only legitimate role that the board can play in the situation at Jaguar's Lair is to lobby the town of Sunset Beach to reject the new proposed developer plans for Jaguar's Lair.

Closing Remarks

The 900 pound gorilla in the ORMA room right now is the new amenity center, the impact on assessments and the process which was used in arriving at the current situation. The board believes that the process was totally open and transparent and that they had been thorough in addressing all of the pertinent issues. Many members, myself included, believe that the process was anything but transparent and did not address all member concerns. Surely, there was a lot of effort put into the open house presentations, which were used as sales pitches as opposed to prompts to encourage feedback from the membership with the goal of defining alternatives.

The board posted an announcement on NABR stating that the amenity center adhoc committee and the board had reviewed the feedback from the members who attended the open house sessions and had based the decision on the scope of the project on that feedback. It is surprising to me that that feedback did not result in a single change in scope. I asked the board when the board would be sharing

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that feedback with the community. The response from the board was that the feedback was in the form of informal notes which were not in a form for publication. When I pushed back, I was told that they would have to get back to me regarding releasing informal committee notes.

This is exactly the lack of transparency in the decision making process that I have been speaking about during this interview. I find it unacceptable that the RFP that was sent to architectural and engineering firms did not deviate from the open house presentations at all given that some of the feedback received from the open house events was to do something smaller.

On another front, we were sued by the declarant over assessing declarant properties which are defined by the CC&Rs as exempt from paying assessments. We settled the law suit. Why is it that the board did not counter sue to get the declarant to stop collecting and keeping ASC fees that, in my opinion, rightfully belong to ORMA.

While I applaud the signing of the leases for the main entrance and the Old Georgetown road entrances, there is a provision in the lease that states that, should one of the declarants employees or agents be delayed by more than one hour on one occasion due to the access gates, ORMA will be determined to be in breach of the contract. If there are delays of less than one hour on three occasions, ORMA will be in breach of the contract. To me, this represents a substantial risk which needs mitigation plans. Specifically, who is responsible for responding to these situations so that we do not cause these delays under any circumstances, including breakdown of the equipment. We are now two months into the lease and work has yet to commence on the guard house at the main entrance. The declarant has committed to complete the repairs on the guard house within seven months. Who is monitoring progress on the part of the declarant in meeting the commitments of the lease?

All of this shows that the culture of the ORMA board needs to change and I'm the best person to make it happen.