

What is the covenant language?

- *No amendment to this Declaration shall be made without the consent of the Company...*
- *...until such time as eighty percent (80%) of the cumulative maximum number of lots and dwelling units authorized in Kiawah Island by the Town of Kiawah Island have been sold and conveyed to Type A Members,...*
- *...or until the termination of the Development Agreement between Kiawah Resort Associates, LP and the Town of Kiawah Island entered October 12, 2005, whichever occurs first.*

What rights of the members and the developer are impacted?

- Does not affect the transition of Board control to the members of KICA
 - KDP voluntarily transferred control early in 2005 – transition of Board control to members has occurred
- Only relates to amendments to the covenants and gives the developer a “veto” opportunity over any covenant change approved by members
 - Allows developer to retain some degree of control over covenants during the time when it still retains a significant investment in the island
 - Prevents covenant changes which might be detrimental to the developers remaining investment

Why is the calculation so complex – or at least appear complex?

- The “formula” isn’t complex:

Sales to Type A members / Number of properties authorized on Kiawah Island

- Most of the calculation is simple and straightforward, and will not change from year to year
- Some is more complex, requires interpretation and can change from year to year
 - Over 30 years, multiple developers and developments, different government entities, two formal and complex development agreements, development planning still underway
 - Potential density reduced from nearly 12,000 units to less than 6,000
 - Reliance on multiple individuals and entities for the necessary information
- We do capture an accurate and correct number – just because it looks complex doesn’t mean it’s not right!

How many lots and dwelling units have been authorized on Kiawah Island (the Denominator) ?

- We begin with:
 - All residential lots and dwelling units authorized and developed by KDP and its predecessors up to 2005
 - Additional units authorized by the development agreements
 - KDP parcels subject to 2005 agreement
 - KIGR parcels subject to 2010 agreement
 - These numbers are “fixed”
- We Add:
 - Lots held by certain property owners that have been or can be further subdivided
- We Subtract:
 - Properties developed at Cassique
 - Adjustments to the development agreement parcels due to lower density platting
 - Recombination of existing properties

So what was the number last year?

All units authorized for development by KDP and its predecessors up to 2005	4,152
Properties authorized by the development agreements	
• Properties subject to 2005 agreement (KDP)	1,184
• Properties subject to 2010 agreement (KIGR)	0
Plus: Units held by certain other property owners that have or can be subdivided	90
Less: Properties developed at Cassique	(73)
Less: Adjustments to the development agreement parcels due to lower density platting	
• KDP	(0)
• KIGR	(0)
Less: Combinations of existing properties	<u>(25)</u>
	5,328

How many lots and dwelling units have been sold on Kiawah Island (the Numerator) ?

- We begin with:
 - All sales to individuals by the developer and his predecessors
 - All sales by the developer to sub developers, using the number of lots and dwelling units after further subdivision
- We add:
 - Certain properties owned by “unique” owners (Eugenia, etc.)
- We subtract:
 - Type A units lost due to recombination of properties

So what was the number last year?

All sales by the developer and his predecessors	4,110
– Directly to Type A members or through sub-developers	
Plus: Certain properties owned by “unique” owners (Eugenia, etc.)	53
Less: Type A units lost due to recombination of properties	<u>(25)</u>
	4,138

How might the calculation change going forward?

- Some numbers are fixed and will not change
 - Past sales (numerator)
 - Units authorized up to 2005 (denominator)
- Some of numbers will change over time:
 - New sales are occurring (numerator)
 - Parcels subject to the two development agreements are being platted (denominator)
 - Royal –owned properties could be subdivided and sold
- Forces moving the calculation toward 80%
 - Annual new sales (10 to 20 units per year)
 - Cassique development
 - Development of parcels subject to the development agreements at lower density
- Forces moving the calculation away from 80%
 - Additional units authorized by the 2010 development agreement with KIGR
 - Future subdivision and development of Royal properties
- Calculation becomes “moot” at termination of the 2005 development agreement with KDP, even if 80% has not been reached

Who is accountable for this calculation?

- KICA Board is responsible for:
 - Interpreting the covenant language, authorizing the “calculation” method; making adjustments to the method of calculation; and approval of annual calculation
- KICA COO is responsible, annually, for:
 - Coordinating the collection of data; completing the calculation; reviewing with the developer; acquiring approval by the Board and communicating to KICA membership
- Developer:
 - Provides data annually for sales (numerator) and adjustments to the 1184 authorized properties (denominator)
- Town of Kiawah Island:
 - Provides data on all new platting of parcels subject to 2005 (KDP) or 2010 (Resort) development agreements and all recombination or subdivision of existing lots and parcels

Is there a process in place to accurately calculate this percentage each year?

- 2009 calculation is fully vetted, reconciled, and is the baseline for all succeeding calculations
- COO will review a preliminary calculation with the Board annually at November board executive session
- COO will finalize calculation, reviews with and considers input from developer and TOKI, and provides to board for approval at January board meeting
- COO reconciles annual change in sales and authorized units with assessment and CTR collections

Questions??