

Promenade at Tradition

The Trials and Tribulations
of a Condominium Association
Dealing with Chinese Drywall

By: Howard Ehram, Board President

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Presented to: Politicians and Media

(and anyone else that will listen)

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Dealing with Chinese Drywall

By Howard Ehram, Board President, Promenade at Tradition

April 13, 2011

I am not an alarmist or activist. I am not one to contact politicians on a whim. I am not one to act on emotion and am conservative with the pen. I have never reached out for help, only offering it for as many of those that I can. However, the time has come that I have to reach out for others and myself. I have heard too many heart wrenching stories. I have my own personal story of struggles and one as the president of a condo association, representing 135 units that are in dire straits. It's been over 2 years since we first discovered the extent of the cdw problem and our anticipated train wreck is becoming a reality. It's also been over 2 years since politicians have heard about the issues surrounding Chinese drywall and hearing Carl Abbot's story in conjunction with the upcoming Drywall Caucus Meeting has sparked me to muster the effort to paint a vivid picture of "our world" that needs to be shared. I am also not one to present a problem without also presenting the solution. The solution is fairly simple and a win for everyone. Please refer to The Triple Win Solution document that is under separate cover.

Promenade at Tradition is a 135 unit condo complex in the heart of the town of Tradition in Florida's Treasure Coast. Tradition is a charming small town based on traditional values of the past ideal for retirement or raising families. It was so popular, all units sold out in 2 hours during preconstruction that utilized a lottery to determine eligibility to purchase. Buyers were a mix of retirees, families, single professionals and investors. It was the ideal location for live, work, play. (aerial view of the area included)

In early 2009 it was determined that Chinese drywall was scattered throughout in 61% of the units. After attempts failed to work with the builder, the Association proceeded to retain attorneys for 3rd party claims against builder and manufactures as well as 1st party claims against the insurance carrier.

Units purchased for \$200,000 to \$260,000 in 2005. These units are currently selling for approximately \$20,000 to \$35,000 for tainted units. Non-tainted units have sold for as low as \$38k. Most won't consider purchasing due to the tainted units being in the same building and fear of special assessments.

Unit owners are faced with the typical dilemma of choosing to live in their tainted unit or moving out. Those with babies and kids are being told by their doctors to move out. Those owning empty units that can't be occupied or sold are forced to make tough decisions and most stop paying their mortgage (if they have one) and Association maintenance fees. Little by little, units are falling into foreclosure and being short sold if lucky. Many units are being occupied by unregistered tenants paying little to no rent

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and even squatters. This creates additional challenges and expenses to the Association. Currently, 35% of unit owners are not paying their fees. Not only has the Association's expenses increased in order to manage this issues surrounding cdw, but income has dropped significantly. Our budget was at a deficit. The board made a decision not to raise fees in fears of it being counterproductive because those currently paying would stop. We actually held a special meeting where it was unanimous to use reserves to subsidize the short falls for operating costs.

Since condo Associations are responsible for the drywall, costs for repair are the responsibility of the Association. Any assessments for these costs or costs in general are shared by all members of the Association. Therefore, all unit owners share equally in the issue regardless of the condition of their unit. All 135 unit owners are affected and will share in the demise.

Now, the Association is using reserves to pay short falls from those that walked away and is running out of money and will be unable to pay bills. We will be out of reserves and have a huge train wreck with having to issue special assessments now and in the future since we used up our reserves. Those barely hanging on will let go. The ones hanging on tighter will get heavier loads and have to carry the weight of those not paying. Soon everyone is deeply affected. The worst affected may be the ones who live there in a clean unit that is their retirement home with no mortgage. What do they do? They don't get any help or sympathy. Their values have dropped due to cdw and are left having to pay fees not paid by those with cdw. What does the Association do? Do we stop paying landscape maintenance? Close the pool? Stop paying property insurance? What bills do we stop paying first?

Many banks drag their feet through the foreclosure process because they don't want to actually take title to the property and become liable for assessments and other issues. This forces the Association to foreclose which adds to our management and legal expenses.

The board explored taking it upon themselves to remediate all the units in hopes that the lawsuits will play out to pay back the necessary financing. Estimates to remediate all the units came in around \$5 million. We have been unable to get financing, mostly due to the 35% delinquency. If we assessed all 135 units the financed costs with an interest only loan, it would add at least \$200/mo to every unit owner. But only 35% are paying, so that number would have to increase in order to cover the deficiencies. Then we are back in the dilemma that those barely hanging on would let go and further increase the burden on others. We quickly realized remediating prior to funding through litigation was not an option. Furthermore, the CPSC and other agencies are waffling on the protocols with no clear direction on cleaning and gas treatment, we would either likely spend too much on overkill procedures or not remediate properly. CPSC is only

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focused on health and life safety and the wiring is a perfect example. There's no doubt that the wire runs are corroded inside the sheathing. The debate is whether the corroded wire is actually functional even though the entire run is corroded. I am not qualified to comment on functionality but not all the scenarios have been tested and there are many other factors to be considered.

Politicians think homeowners have received some help with forbearances and tax relief. This is not happening and not reality. Banks are not cooperating or executing properly. Owners that short sold will be hit with huge income tax bills on income they didn't receive. Banks are foreclosing during forbearance periods and/or reporting to credit agencies even after agreeing not to. Both of which are in breach of the forbearance agreement but it is still happening and homeowners are powerless against the banks that are not motivated properly. Banks are encouraging short sales in lieu of loan modifications because their losses can only be subsidized by government bailouts for short sales and foreclosures. All of this forces unit owners to swallow their pride, stop paying their mortgage and maintenance fees and pray their problems will go away with a short sale. But what about the owners that used an equity line from another property or paid cash for the unit. What do they do?

Centerline, the builder that made millions of dollars in profit on this project likely enough to remediate all the units twice, refuses to help in any way, even though they installed the corrosive drywall. They are currently still allowed to build homes with no repercussions.

To add insult to injury, the Association has lawsuit(s) filed against it for not taking care of the issue and/or not informing buyers of the issue even after it was in the media and commonplace information in the real estate community. A news paper article was published criticizing the Association for hiding the problem and not fixing it. I have been meaning to write this ever since to get the story straight. We have since worked through sensitive legal issues and figured out how to notify any potential buyers of the cdw situation without creating further legal issues.

All of the short sales are leading to investors to buy tainted units at heavy discounts and remediate them. Without any regulation, they are taking shortcuts and not remediating properly. Some are not even taking out all the drywall. Some are leaving strips of cdw behind base tile and even behind base cabinets. See attached photos from one of the units. Some that removed all the drywall, did not properly clean up all gypsum particulate and dust. The Association has struggled to monitor the property in order to send notices to those that did not get Association approval. Some did not pull permits and are secretly remediating. This leads to additional management and legal expenses. We now require a \$5,000 deposit in order to remediate. Deposits are only returned

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upon turnover of evidence per PTO 1B, clearance report by independent inspection company and a common area inspection. However, we still have our challenges to implement and enforce.

What are the risks to remediate one unit that is adjacent to other tainted units? Most demising walls are block but walls around the stairs to 2nd floor units are framed with cdw on the other side. If they sell, and the unit continues to have problems with the drywall, what liabilities does the Association have since the Association is responsible for the drywall?

The majority of the units have Taishan, the manufacturer wholly owned by the Chinese government. The latest news from attorney's doing depositions in Hong Kong is that the jurisdictional discovery against Taishan could take another 8 to 12 months. Any resolution from the lawsuit is likely years away.

Because help seems so far away and we have no means to remediate ourselves, the only other alternative is a temporary solution to make units inhabitable or rentable. There are many products and services being developed, some that seem to work and others that are scams. I have dedicated much of my time to research and testing to see what works and how affective they are. The more reputable ones are willing to show off their product so I am using volunteer units for testing. If it reduces the sulfide gas levels to below odor and noxious thresholds and the cost can be financed, it could allow me and others to rent out their units. The income could be used to pay maintenance fees and a portion of the mortgage (if applicable). There would need to be some guarantees and assurances but it's the only interim solution I can dream up. Costs for the temporary treatment will need to be added to the claims even though this further complicates them.

The spirit of the unit owners are broken with the feeling of hopelessness. Those in decent financial positions are hoping and waiting realizing that hanging on is not a wise business decision. There are so many individual situations and stories, all hard to hear and recognize. I have included only a sampling. These are so many more. You may wonder why you haven't heard from more people if the problem is so bad. We hear that politicians and attorneys are working on ways for help and we just don't have the time and energy to deal with it. It is utterly demoralizing and mentally draining to deal with such an overwhelming issue when we are busy dealing with the stresses of the current market and everyday life. We try to keep the faith that our elected leaders are looking out for our best interests. But after 2 years and little to no real progress, we are at the end of our rope.

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We have constantly struggled to get volunteers to be board members. At the beginning of the issue, we had 5 board members. We lost one due to foreclosure/short sale. Her replacement was soon lost to his own short sale and we have been unable to fill the vacancy since. We have recently lost another board member that was forced to short sale his unit. We are now down to 3 board members including myself. Of the other 2 members, one owns their unit with no note and the other lives in their clean unit although he has tainted units on either side. If GMAC doesn't extend my forbearance or if there are any special assessments (which is inevitable), I will be forced to short sale mine and no longer able to serve on the board. This will leave only 2 members, which is not enough for a quorum so no official business can be conducted. Without a board and money to pay bills, I suspect the property will go into receivership causing much more expenses for those remaining. With assessments out of control, I suspect deeds will be turned over to the receiver. I am only speculating based on limited knowledge of the processes, not sure what or how this will actually happen.

The truly sad part of all this mess is the wasted opportunity for the "Triple Win" that could solve all these issues if only the right people and legislators would pay attention and actually stand up to the corporations and associations in favor of the individual property owners. Please see attached Triple Win Solution document. If our great country can react to natural disasters and aid other countries, why can't we fulfill the vision of the TRIPLE WIN!? What is it going to take?



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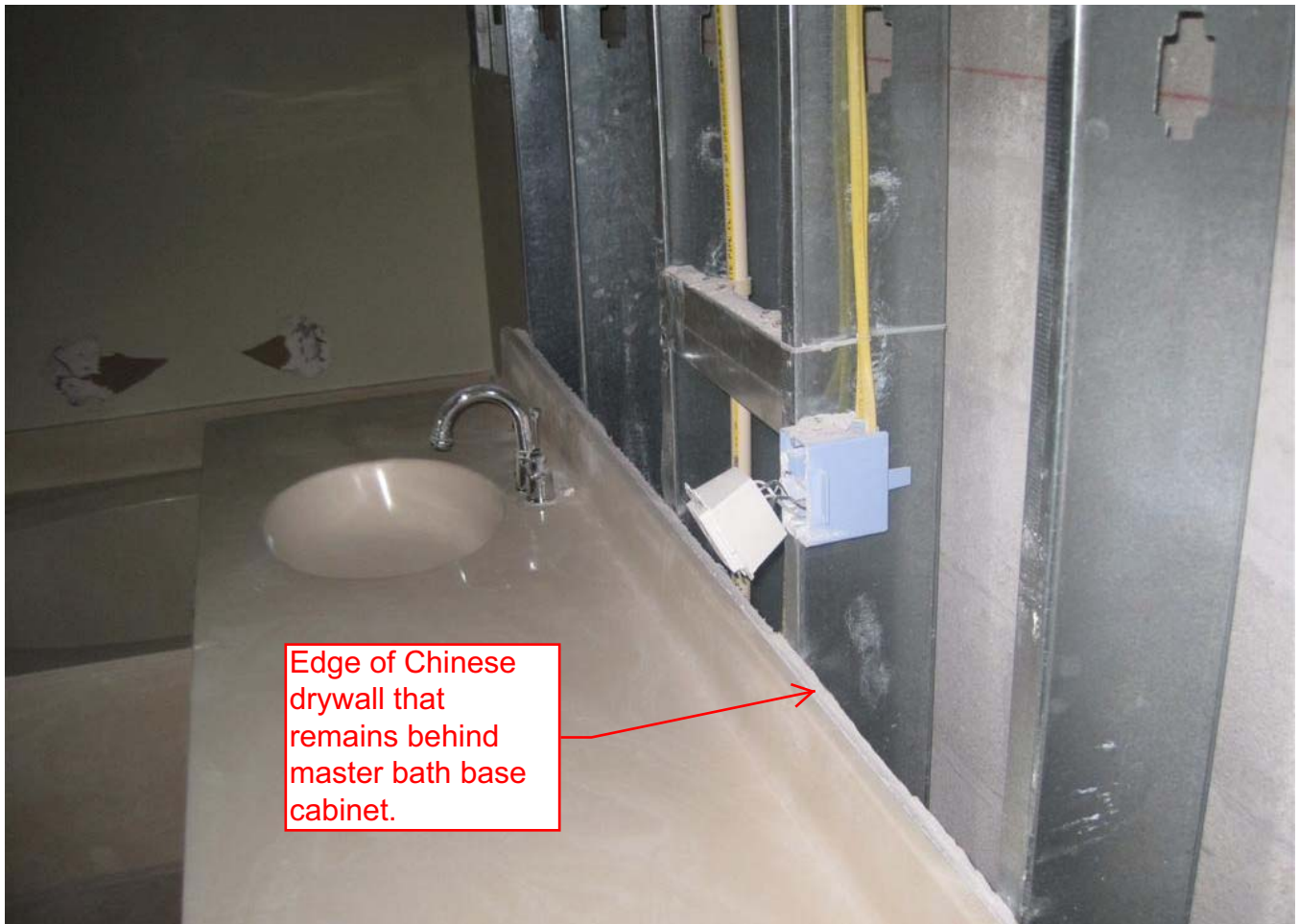
Town Hall

Town Square

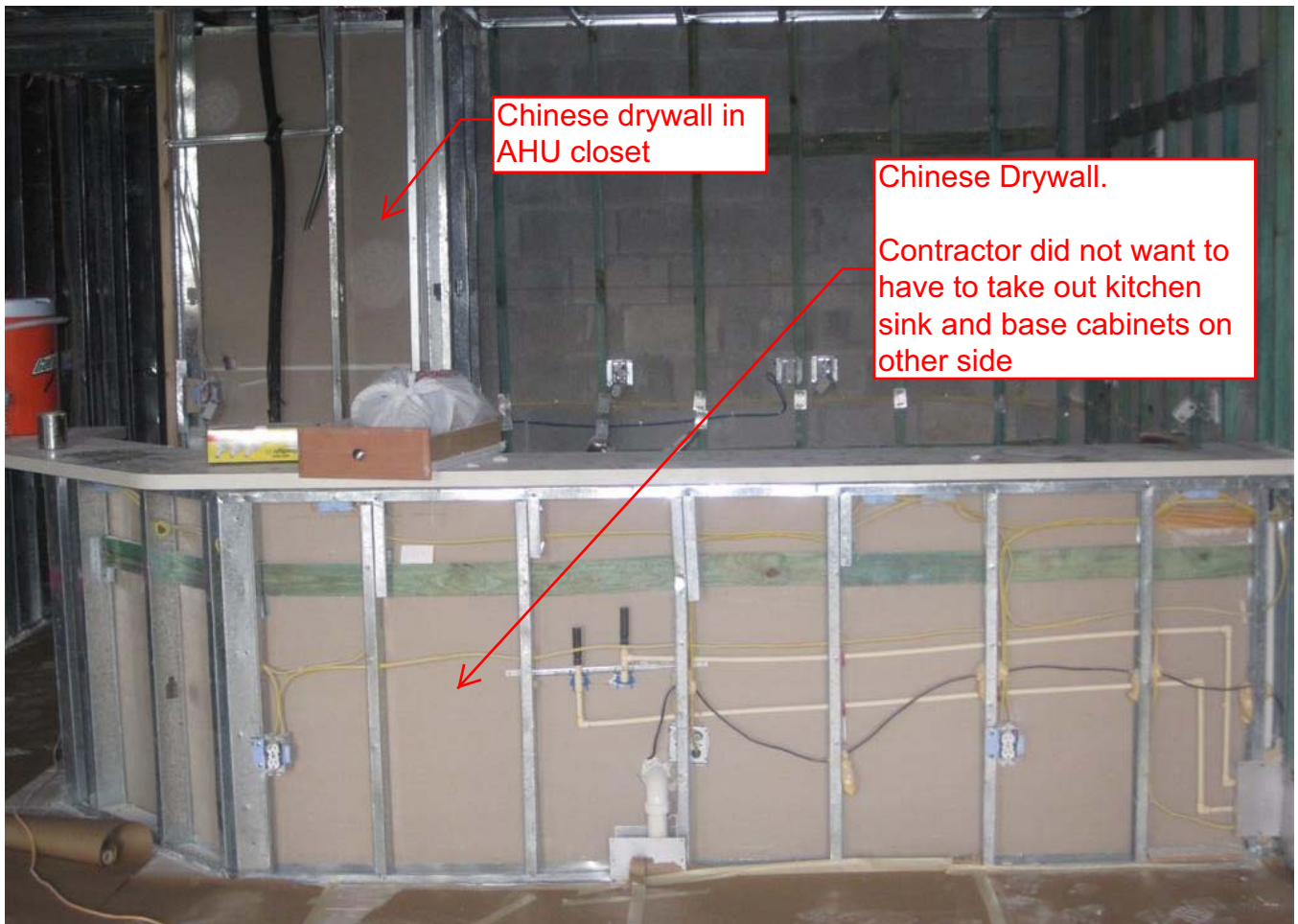
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Examples of Remediation Short Cuts
Promenaded at Tradition





Edge of Chinese drywall that remains behind master bath base cabinet.



Chinese drywall in AHU closet

Chinese Drywall.
Contractor did not want to have to take out kitchen sink and base cabinets on other side

The CDW story for Mr. and Mrs. Carl Abbott, Unit 7-206

My wife and I bought a condo, pre-construction, in Port St. Lucie, FL about 4 years ago for \$204,000. We bought it as an investment property to help in our retirement. I am now 71 years old and my wife is 68 years old.

We rented the condo for the first 2 years, and were able to pay the mortgage, taxes and Homeowners Association fees.

Then Chinese drywall was discovered and I lost my tenant. It has tested 3 times as severely tainted. I could then no longer rent it, sell it or live in it. The St. Lucie County Property Appraiser last appraised the condo at a value of \$10,800.

There were 2 notes on the property, one being a \$30,000 line of credit and another \$160,000 mortgage, both with GMAC. Last year, GMAC sent me a letter saying they would cancel the \$30,000 line of credit for \$3,000 cash. I consulted with my real estate attorney and he advised me to do it. I sent GMAC the money and they sent me a letter stating that the line of credit was cancelled. When we went to our CPA to prepare our tax return last year, I was stunned to learn that the IRS considered the difference between our payment of \$3,000 and the \$30,000 note as income. We were forced to pay income taxes on \$27,000.

After the condo became worthless because of the Chinese drywall, I stopped paying the mortgage. I could not continue to drop money down a hole every month for something that had no value and that I could do nothing about. During this time, my credit score dropped from the 800's to the 600's. Now I can no longer buy a car or finance anything with a decent interest rate.

I joined a class action lawsuit last year against the drywall manufacturer. That case is still pending in the U.S. District Court in Louisiana.

Two weeks ago, GMAC accepted a short sale offer of \$35,000 and we closed on the condo on 3-25-11. I no longer own the property, but, once again, my CPA says that I owe the difference between \$35,000 settlement and the remaining mortgage of \$160,000. I am going to owe income tax on \$125,000, which puts me in a different tax bracket. I will owe approximately \$75,000 in income taxes.

There has to be some tax relief in situations like this. I didn't walk away from a mortgage like some have in this economy. Through no fault of my own, the property I purchased in good faith lost all value. Without the Chinese drywall, I would still own the property.

I have calculated monetary losses of lost rental income, mortgage payments, HOA payments and income taxes on the 2 mortgages, and I figure I will lose \$150,000 out of pocket.

I'm a proud old man from Alabama. Honor is important to me, and this is the only debt in my entire life that I didn't pay.

There needs to be some relief from the IRS and the credit bureaus. I no longer need remediation protocol. I hope the committee will recognize the problems I am facing.

The CDW Story of Steve and Kim Jamison, Unit 1-209

We bought our condo from Centerline Homes in Oct 2006 for \$216,000. We bought it in good faith that a reputable builder would stand firmly by their product. We bought it as an investment property initially, but hoped to one day use it for our family. For the first 18 months we were able to keep it occupied with tenants. Unfortunately, by 2008 our tenants started to report an "sulphur" odor along with corrosion of faucets and other metal fixtures. In January of 2009, it was inspected and found to have toxic drywall throughout the entire unit. The copper piping and wiring were found corroded and pitted.

We have not had a tenant since that time. The county tax assessor currently values the unit at \$10,800

We have used considerable savings to keep current on our mortgage and also pay our association and maintenance fees. We value our credit scores (over 800). We are a hard working middle class military family. We believe strongly in paying our debts, but this situation is financially crippling. We are throwing \$1,500 out the window every month. We contacted Wells Fargo since they hold the mortgage. We were told that we could qualify for a special forbearance that would delay payments until we received some relief from insurance, lawsuits, etc. We attempted to utilize Wells Fargo's program, but had a terrible experience with that company. We were contacted daily, some days several times by their loss mitigation and were told that it was "attempt to collect a debt." We had to explain over and over about the agreement. Their staff was quite ignorant of the situation. In fact, a loan official in their "office of the executive president", an individual named Michael Burg, actually reported erroneously to the credit bureaus that our loan was in default...in only our second month of the forbearance. It was a joke of a program, obviously put in place to appease the lawmakers in return for the bailout Wells Fargo received. The daily harassment from loss mitigation was extremely stressful.

We have three young children, one of them is on the autistic spectrum. We cannot continue to throw more good money after bad, especially when we need to pay a considerable amount per month for therapists, counseling, and other special services that are not covered by our military insurance.

We considered taking out a loan to pay for condo remediation. It will cost between \$30,000 and \$50,000. Unfortunately if our neighbors are unable to do the same, we risk contamination by neighboring units, so we hesitate to invest more money in a worthless property without any guarantees that we would successfully be able to correct the problem.

We are in a very difficult situation. We do not want to foreclose, we are honest people who believe in paying our debts. In addition we hold security clearances due to our jobs in the United States Air Force, we do not want to jeopardize our good standing. However, if this situation continues much longer, we may have no choice but to default.

We are asking for the government to step in and hold the companies and executives accountable for their actions. We are asking for some help since we are powerless to fix this situation. It is a crime that Centerline Homes as well as the drywall manufacturers are able to walk away from this mess they created, while profiting greatly from buying cheap building materials. Centerline continues to build homes in Florida, why is that?

Thank you for listening,

Steve and Kim Jamison
kimstevejamison@aol.com

The CDW story for Howard and Lisa Ehram, Unit 7-209

We bought the condo during preconstruction as an investment and place for aging family to retire to when the time was right. Due to the location to the Village Center, active projects in the area and proximity to I95, it was easy to keep rented while we were waiting to use it for family. About 6 months after getting laid off from my job due to the decline in commercial construction, my tenant demanded to get out of her lease blaming CDW for bloody noses, headaches and her dog having seizures. Due to liability issues, I was forced to let her go. Without a tenant to pay the mortgage, we turned to GMAC for a loan forbearance. GMAC agreed to a 6-month forbearance. Even though fees and terms were not financially beneficial, it was our only choice and solved the immediate cash flow issue.

As responsible people would, we contacted GMAC about 7 weeks prior to the end of the forbearance period in a proactive attempt to work with GMAC the best we could. GMAC continued to delay resolution, exceeding response times every time they would provide them. The delays in working with us extended past the end of the forbearance period and then they demanded that all past payments were immediately due or the property would go into foreclosure. While one department was threatening foreclosure, another department was continuing to work out another forbearance plan. We subsequently established a second forbearance plan for another 6 months. The terms were similar in that credit agencies would not be contacted and foreclosure would not be pursued. However, in little less than 2 weeks after the establishment of the second forbearance period, we were issued foreclosure papers. This was actually in breach of the forbearance agreement. We filed a motion to dismiss but efforts to resolve with GMAC have been utterly fruitless and frustrating. My credit rating immediately dropped from close to 800 to the upper 600's. This not only affected my personal credit but has prevented me from qualifying for loans and leasing plans for my small business. I need to purchase equipment to expand my small business and the erroneous foreclosure filing has now prevented that from happening. The issues dealing with CDW has far reaching ripple effects that need immediate attention.

GMAC's attorney, David Stern, is wanted on felony charges for falsifying foreclosure documents, illegal practices and running a foreclosure mill. GMAC has since switched attorneys. Calls to GMAC's new attorney have not been returned and I suspect another round of frustration as we approach the end of our 3rd forbearance period. If we don't get another forbearance, we will simply stop all payments and look to a short sale or foreclosure as our only option. With most short sales taking about a year to accomplish, we are certainly not looking forward to it. Our hope is to continue with forbearance until the Association remediates all the condos and then do a permanent loan modification that results in reasonable payments that makes good business sense.

This issue is eroding our mental well being. My wife was the director for crisis management at Florida Hospital in Orlando and is an amazingly strong woman. However, she has so much anger and frustration towards Centerline and GMAC over this issue, I can't even get her to proof read my writing of any this.

The CDW Story of Peggy Mariani, Unit 1-210

I bought my unit pre-construction as an investment. Since I cannot rent it or sell it I have been spending winters in it.

So far it hasn't effected my health although my A/C coil and condenser had to be replaced. Some of the faucets are pitted.

I'm am a retiree and I don't know how much longer I can keep this place.

The Promenade at Tradition is turning into a ***GHOST TOWN!!***

-Peggy Mariani #1-210

The CDW Story of Corey and Katie Clive, Unit 6-207

I was told my unit does not have Chinese drywall but the units around me do. I have 2 young kids and I will not subject my family to the risks and the depleted environment that is not what I bought and paid for. I had 2 tenants that are teachers at the Palm Pointe Educational Research School at Tradition that is only a few blocks away. This was an ideal place for them to live. I received a letter from them that they needed out of their lease because they smelled Chinese drywall in the stairs entering their unit and had fears for their well being. I couldn't blame them and was concerned about my family's liability risk so I had no choice but to let them out of their lease. My unit is now currently empty with no tenants. Since I don't have Chinese drywall, I can't qualify for a forbearance or any assistance (as if there was any). What am I supposed to do?

Corey Clive #6-207

The CDW Story of Anonymous #1

My wife and I are Realtors and purchased the condo from the builder with the idea, unlike a number of others had, buy as an investment, rent it for the mandatory holding period of one year and then sell. Unfortunately, between the housing market nose dive and the news that our condo is significantly effected by defective drywall, we still own it. Matter of fact we have had to move into it, because we could not afford to carry this mortgage and our single family home in Boca Raton. We are still making our payments to mortgage company and the HOA's, but my wife is absolutely distraught about what we have to live in. We have not had anyone visit us in our "home" for over two years, we are too embarrassed to have anyone know what we are forced to live in. Thank goodness, our health remains good.

-Anonymous #1 (writer preferred to remain anonymous)

The CDW Story of Anonymous #2

At the same time that we purchased, my mother-in-law bought with the idea of eventually moving up to the Port St Lucie area. Unfortunately, she can not do this and must stay an hour and half drive from us. She is over 90 and I would not take the chance of her living here in the condo, not really sure what effects the defective drywall would have on an elderly person. The sad part of her story is that she was going to use the money she made from leasing the property, to pay for her mortgage on the condo, offset some her living expenses and do some traveling. Instead of seeing different parts of the country, she now scrambles every month to make her mortgage and HOA payments, because she refuses to mess up her credit.

-Anonymous #2 (writer preferred to remain anonymous)