

Newsletter

To: Elliott House Inn Property Owners

From: Elliott House Inn Board of Directors

Date: July 1, 2010

Re: Update

We have signed the contract for Phase I of the construction project with Palmetto Craftsmen. They are onsite now. They will demolish the small utility building located behind the fountain now. They will use the courtyard area as their work space and lay down area. All of the tables, chairs, planters and yard ornaments have been moved to a storage unit. We plan to re-use these. The refrigerators from the utility room were donated to Goodwill. They will need to be replaced at a later date.

We are also working with David Richards as our architect. He will be the main construction supervisor who will inspect work and sign off on pay requests. Curry Engineering is continuing to work with us on various structural details. Epic Engineering is working with us on mechanical engineering details, specifically the ventilation and water supply issues. Finally, Wright, Padgett, Christopher Engineers are monitoring the building for settlement and related safety concerns. We are negotiating with them to place an audible alarm on the building to protect people in the event the building begins to collapse during the construction process.

We have included a notice of a special meeting on July 31, 2010. We strongly encourage that you plan to attend. Dominic Volpe and Andrew Pelland of Palmetto Craftsmen will be here to provide an update and answer your questions. We also plan to have representatives from two rental management companies here to discuss their proposals and answer questions about future inn operations.

We are continuing to work with attorneys Clay McCullough and Trenholm Walker on the lawsuits against Suncoast and Arch. The regime has an entry of default against Suncoast and has requested a hearing on damages. That will take several months. The action against Arch is continuing to be reviewed by the Board. We are questioning the costs to pursue the action versus the possible return on this expense. We will be prepared to discuss this with you further at the special meeting.

We have also retained the services of Krawcheck and Davidson attorneys to assist us with collections and Master Deed and Bylaw amendments. We have nine units whose owners have not paid the special assessment – six of these units are owned by banks. We are taking aggressive action to collect these funds. Liens have been filed against the units held by individuals and foreclosure actions will be pursued. The Board is negotiating with the banks to broker the sale of these units and receive payment of the special assessment.

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Palmetto Craftsmen was also hired to repair the four units with water damage from the frozen pipe in January. This loss resulted in an insurance claim. A supplemental claim is necessary. Work is proceeding well and we anxiously await completion.

We have also retained John Albrecht of Albrecht and Associates. He is an Environmental Specialist. He will be working with us on the units left standing to ensure that the condition of the sheetrock and unit interiors is handled properly to mitigate any mold issues. He has done a preliminary survey at present. He will be doing more in-depth inspections within the next thirty days.

At present, we have enough money to proceed with Phase I but our budget is very tight. Please remit your quarterly assessments as soon as possible so that we can meet our routine obligations in a timely manner.

Thank you for your cooperation. We will look forward to seeing you on July 31, 2010.