

MINUTES
FRIPP ISLAND PROPERTY OWNERS ASSOCIATION BOARD MEETING
October 11, 2008

PRESENT: Messrs. Mathews, Newby, Case & Morrison; Mmes. McCormick & Merrill; Messrs. Davidson and Gannon by phone

ABSENT: Messrs. Duncan & Hess

1) Call to Order and Determine Presence of a Quorum of Directors: President Mathews called the meeting to order at 9:00 am. There was a quorum present.

2) Approval of September 20, 2008 Meeting Minutes: The minutes were approved as presented.

3) COMMENTS AND QUESTIONS REGARDING THE PROPOSED CHANGES TO THE COVENANTS: On behalf of the Covenants Committee, T. Thomas made a few comments prior to responding to questions. He noted the committee was appointed by the Board in July 2005 and presented the working draft of the Covenants to the Board at its November 2007 meeting. The POA Board of Directors will be the ultimate authority in all matters under the new covenants, including the appointment of the Architectural Review Board. The Board of Directors, elected by the property owners, will adopt the rules and regulations that are a major part of covenant enforcement. The current covenants can only be amended every ten years; however, the new covenants will be for a 20-year period and may be amended at any time. The most important objective to keep in mind is that minor differences can be worked out after their adoption. T noted that failure to adopt them now would postpone the ability to bring about any change in them and continue the control of this important function in the hands of the Resort for an additional ten years.

Following these comments, the Board addressed several areas of concern that had been either emailed or phoned in by property owners. These included tree removal; evacuation in the event of an emergency; restriction of storing boats and RV's on properties; leash laws and barking dogs; rule making authority and time frame for announcing discussion of a proposed rule change by the FIPOA; and common areas not open to the public. ARB issues included hiring an administrator; composition of the ARB Board and voting rights; compliance with guidelines and county laws; harmony of external design; time frame for completion of construction; no waiver of future approvals; voting procedures; ARB guidelines and procedures; and 50/50 resident vs. non-resident representation on the Board.

Comments from the audience included objections to parking restrictions of boats, trailers and RV's; anticipated expenses of ARB startup and file storage; and the number of votes necessary to amend future covenant changes.

On behalf of the Fripp Island Resort, CFO Danny Robinson noted that the Resort supported most changes to the Covenants and outlined the following objections: the perceived exclusion of the FIR in the covenant change process; developer rights and no provision to transfer from FIR to FIPOA; property description re: commercial and multi-family should be excluded; and that the procedure to amend 1974 covenants states they must be signed by the majority of property owners and recorded at the county.

He also noted that Stuart Mitchell and Bill Wardle had met with Mrs. Hines October 10th and that their attorney is in the process of drafting a letter to the POA attorney outlining their objections in more detail. It was noted that the Covenants Committee met with FIR several times to discuss the proposed changes, but no progress was made. The POA gave a draft of the covenants to FIR in November of 2007 and this is the first time we have formally heard of any objection.

ACTION: The Board will wait to receive FIR's letter and review it in more detail.

4) DISCUSSION OF MATTERS DEFERRED TO THIS MEETING:

2009 Budget: Second Review: Two budget items from last month's meeting required follow-up discussion.

PSD: Questions involved transfer of funds to the PSD for future major bearing repair for the Inlet Bridge, our annual \$100 Road & Bridge assessment and our \$1M cap. PSD representatives were in attendance to address these concerns. It was noted that owners should be made aware that the \$1M reserve cap has been met; however, all bridge assessments to be collected in 2009 (\$212,000) will be

transferred to the PSD due to knowledge of upcoming major repair expenses. It was agreed that owners deserve total disclosure and an article will be written for *The Trawler*. It was also recommended that the Board think about raising the reserve cap from \$1 M to \$3M. This will require owners to vote

ARB: Questions involved not having a line item for covenant changes in regard to the startup expenses for the ARB if the new covenants are approved. A miscellaneous income line item of \$7,000 was added to account for our assuming the ARB responsibility. A Sundry expense item of \$45,500 was included to address the takeover of the ARB to include payroll, equipment, scanning and storage. It was felt we need to make plans now rather than later.

Roads: There is an additional \$7,500 increase for repairs to Porpoise Drive

Resolution 483: To Adopt the 2009 Calendar Year Budget; to Increase the Annual Assessment and to Continue the Special Road & Bridge Fund Assessment.

Proposed Resolution: That the 2009 Calendar Year Budget of the Fripp Island Property Owners Association, in the amount of \$1,919,900 a copy of which is attached to and made a part of this Resolution, be adopted as amended by the Board of Directors, and

Be it Further Resolved: That the annual assessment be increased from \$701 to \$740, and that the Special Road and Bridge Fund assessment remain \$100, both assessments to be assessed and collected in accordance with the Bylaws.

Motion approved.

5) GENERAL MANAGER'S REPORT: Kate Hines

A draft letter to Rep. Shannon Erickson has been given to the Board. The letter echoes Fripp Island Resort's letter regarding complaints about the condition of the Harbor Bridge. The Board agreed to mail it. In addition, the Beaufort Gazette reported that the Harbor Bridge would be closed sporadically from October 21 - 24 between the hours of 9am - 3pm.

Covenants: The sign up sheet for each Director to speak to the various clubs and organizations on the Island regarding the covenants still has some openings. Directors were encouraged to complete the sign up sheet today.

The talking points have been distributed to each director. Colorful "Just Say Yes" stickers were distributed and Directors were encouraged to wear them everywhere. Another email blast goes out on the 14th, and the first postcard will be mailed on November 6th. There will be another article about the covenants in the next *Trawler*, which hits doorsteps on November 15th.

Financial:

- 98% of 2008 Assessments have been received. One additional lien filed.
- General Fund: \$490,000; Cash reserves of \$2,162,000; Deposits for Right of Entry \$172,000.
- Accounts receivable \$7,650. We are at 84% of budget for revenue and 80% of expense.
- There were three property transfers in the month of September.

Bob Davidson commented on our investment accounts. As of September 30, our portfolio is off YTD -12.2%, and since inception, -15.3%. Compared to other indexes, this is very good. For example, the S&P's 500 reflected -19.2% and -23.2% respectively. Bruce Jentner uses a globally diversified strategy to mitigate market decline during times like these. We are using a 30-year time horizon. He believes we are on the right track and in time will be delighted by frequent positive returns. Bob encouraged Directors to attend the October 17 Finance Committee meeting at 2:30 when Mr. Jentner will be present to discuss our investments.

Crossovers: Crossover #25 will be repaired next week.

Grounds: The Grounds Committee met October 8th and came up with different plant ideas for the front right entry sign depending on availability. More plants will also be added at the River Club wall and more bulbs will be purchased.

Lakes & Lagoons: There is an agenda item to purchase a motor for the Blue Heron Lake aerator. It's been a problem for a while and finally has stopped working.

Parking: The committee met on October 7th. The committee made recommendations for which Reserve Areas should be developed into parking areas based on most traffic. The next step is to have a contractor find the stakes and determine feasibility of following through.

Other things discussed were addressed in last month's minutes - identification for all golf carts, number of vehicles for renters, overcrowding at holidays. Over the Thanksgiving holiday, Security will attempt to see how many owner vehicles vs. guest vehicles are parking off their property. A proposed draft of the committee's recommendations to the Board was distributed. Members were requested to review the report and comment at the next meeting

Security: The committee has not met since the last POA Board meeting. There have been no recent sightings of the "walking man." To date our officers have completed 707 hours of training including weapons qualification and legal and criminal domestic violence training. Several officers have attended Beaufort County Sheriff's classes. The committee meets next on October 15th.

Roads & Drainage: The committee met October 9th. Among items discussed were an area on Ocean Point Drive where the asphalt is deteriorating, Wilbur Smith's response to field measurements with PSD; the condition in which REA left the parking area on Rock Beauty after using it for storage during their asphalt paving project; and when REA will grade the gravel roads. The week of October 20th is the date proposed as long as the weather cooperates. The committee also reviewed the 2009 budget again to make sure the figures are accurate. The main focus was how to finish the Tarpon project. Joe Franklin of Southeastern came to Fripp to meet with Bob Newby yesterday. He will let us know next week what the final finish date will be and what monies they feel they are still entitled to. The work left to be done includes reseeding all areas, lowering two grates, grinding one area for better flow, and bringing the as-built drawings.

PSD: There has been no meeting since our last meeting in September.

Club Advisory Board:

- The annual meeting was October 12.

i. Resolution 484: Accept the Long Range Planning Survey Report

Proposed Resolution: That the Board of Directors accept the Long Range Planning Committee 2008 Survey Results.

Discussion: It was felt by all Directors that this report is very impressive and contains a lot of good information that can be referenced by the Board and POA committees. The importance of covering owners' issues was emphasized. It was felt the report should be discussed in more detail at the November meeting. A copy of the report will be kept in the POA office for perusal.

Motion approved.

ii. Resolution 485: Approve Purchase of Replacement Motor for Aerator

Proposed Resolution: That the Fripp Island Property Owners Association approve purchase of a new motor for the aerator at the south end of Blue Heron Lake. Amount not to exceed \$1,600. Funds will come from the Project Expense line item of the 2008 Budget.

Motion Approved

III. Resolution 486: For the Board of Directors to Give its Advice and Consent to the Nominations by the President of Members of the Nominating Committee of 2008-2009 and to Inform the Nominating Committee of the Number of Directors to be Elected

Proposed Resolution: That the Board of Directors appoints the following members to the Nominating Committee: Jim Duncan -Chair (Board member), Joe Gannon (Board member), Rita Merrill (Board member), Becky Crowley, John Crouse, Jane Davidson and Eric Gnau, and

Be it Further Resolved: That the Board of Directors informs the Nominating Committee that three non-resident Directors are to be elected for the Class Year 2012.

Motion Approved.

6) COMMITTEE/OTHER REPORTS:

PSD: Commissioners Rich Combes and Jim Parks, as well as Manager Ernie Wilson were in attendance.

- The Hunting Island permit for beach renourishment near Fripp Inlet is currently on hold.
- There are 49 left to hook up to the vacuum sewer system.
- Commissioners will be talking with **the** BJWSA regarding long range planning for Fripp's water supply.
- There are four commissioner slots open for the November 4th election.

7) COMMENTS AND QUESTIONS FROM MEMBERS:

(Q) Rita Riley questioned how she could become a writer for *The Trawler*.

(A) Referred to Assistant General Manager Tina Reeves.

8) Statement of Matters Deferred to Next Meeting:

Long Range Planning Survey Report discussion

9) Next Meeting: The next meeting is scheduled for Saturday, November 8 at 9:00 am in the FIPOA Boardroom.

10) Vote to go into Executive Session to Discuss Personnel Matters

11) Recess

12) Reconvene in Executive Session

13) Reconvene Regular Meeting; Announce Action Taken in Executive Session

Resolution 487: To Establish a Written Policy Regarding Knowledge of the General Manager's Compensation
Proposed Resolution: That the President of the Board will set the compensation of the General Manager after an annual evaluation by the Board of Directors. This compensation will be within the approved budget and within the salary range recommended by the Human Resources Committee and adopted by the Board of Directors. Knowledge of the General Manager's compensation will be limited to the President of the Board.

Motion Approved 5-2

14) Vote to go into Executive Session to Discuss Legal Matters

15) Reconvene in Executive Session

16) Reconvene Regular Meeting; Announce Action Taken in Executive Session A resolution was approved that the Board will meet with the Developer to address their concerns regarding the proposed covenants after receiving the letter from their attorney.

17) Adjourn: The general meeting was adjourned at 10:50 am; Executive Sessions were adjourned at 11:40 am.

Respectfully submitted,

Joe Gannon, Secretary

*Minutes are not the official record of proceedings until the Board of Directors has approved them at the following meeting. Please hold this draft until you pick up the next meeting's draft that will contain corrections as made and approved by the Board.

** To participate in Board meetings by teleconference, owners may call 1-800-444-2801; then 5763474