

The Gallery at Rivers Edge Owners' Association, Inc.

Minutes of the Fourth Annual Meeting

November 11, 2011

The Fourth Annual Meeting of The Gallery at Rivers Edge Owners' Association, Inc. was held on Friday, November 11, 2011 in the Owners Lounge of the River Hall Residents Club, 350 Cherry Hills Lane, Rivers Edge Golf & Plantation, Shallotte, North Carolina.

I. Opening Comments & Introductions

Mr. Michael Wiggins welcomed the members and introduced himself as Executive Board President. He introduced those persons sitting at the head table, including Board Vice President, Clyde Ward and Board Secretary/Treasurer, Patrick Wright. He also introduced Martha Sue Ludman, Gail Miller and Jim Cranford, Management Representatives, extending the Association's appreciation for their work.

II. Call to Order:

Mr. Wiggins called the meeting to order at 10:00 o'clock AM. Mr. Wiggins stated that per the Association's Bylaws, Article III, Section 3.1, which in summary states "An annual meeting of the Owners shall be held at such time and place as the Executive Board may determine. The purpose of the annual meeting shall be the election of the Executive Board for 2012, the review of the 2012 operating budget, and for such other purposes as specified in the Bylaws of the Association." Mr. Wiggins added that per the Bylaws, Article III, Section 3.4 stating in summary "Notice of all members' meetings shall be given in writing, stating the time and place and shall be mailed not less than ten (10) days nor more than sixty (60) days prior to the date of the meeting".

Mr. Wiggins stated that as President, he will serve as Chairman of the Meeting and that Patrick Wright, will serve as Secretary of the meeting.

III. Roll Call and Quorum Establishment:

Mr. Wiggins called upon Mr. Wright to report on the roll call and check-in process in order that a quorum be established. Mr. Wright reported that nine (9) votes were present in person and seventeen (17) votes were present by proxy, or a total of twenty-six (26) votes present at the meeting. He indicated that this represented 42% of the total membership votes and declared a quorum established per the Bylaws, which states "a quorum at members' meetings shall consist of members, present in person or by proxy, entitled to cast ten percent (10%) of all the votes of each class of membership".

Mr. Wiggins stated that the affirmative vote of a majority of the members represented at any duly called members' meeting shall be binding upon all the members.

IV. Proof of Mailing:

Mr. Wiggins stated that per the Bylaws, Notice of all members' meetings shall be given in writing, stating the time and place and shall be mailed not less than ten (10) days nor more than sixty (60) days prior to the meeting date. Mr. Wiggins examined a Proof of Mailing of the Notice of the Fourth Annual Members' Meeting and indicated that the Proof, along with a sample of the Notice, would be filed with the records of this meeting.

V. Approval of Special Members' Meeting Minutes:

Mr. Wiggins stated the minutes of the Special Members' Meeting, held April 20, 2011, required approval. Mr. Wiggins requested the Recording Secretary read these minutes unless there was a motion to waive the reading and approve the minutes as submitted.

Upon a motion by Mr. Richard Kain, Lot 6-D, seconded by Mr. Kenneth McGuire, Lot 1-C and carried, it was:

MOVED: That the reading of the minutes of the Special Members' Meeting held April 20, 2011 be waived; and further, be approved as written.

VI. Executive Board Election:

A. Nominating Committee Report

Mr. Wiggins announced that the first purpose of this Annual Members' Meeting is the election of the Executive Board.

In preparation for the members' vote on the election of the Executive Board, Chairman Wiggins appointed Jim Cranford and Gail Miller to serve as Inspectors and Tellers of the Election. He stated that when directed, they distribute the ballots, collect the same and assist the Secretary with the vote count.

Chairman Wiggins stated that, with regard to the election of the Executive Board, per the Bylaw stipulations, Article IV, Section 1, which in summary states "the Declarant has the right to appoint all members of the Executive Board until the Declarant turns over control of the Association or the Declarant no longer owns any portion of the Gallery Townhomes". Chairman Wiggins stated that the Declarant turned over control of the Association on February 1, 2008, with the election of an Executive Board comprised entirely of property owners and these elected individuals were elected to serve on a two (2) year staggered term.

Chairman Wiggins stated that per the Bylaws, Article IV, Section 1, "the affairs of the Association shall be managed by an Executive Board consisting of not less than one (1) nor more than three (3) directors, all of whom shall be members of the Association". Chairman Wiggins stated further that per the Bylaws, Article IV, Section 2, "at the first meeting of the Association after the Period of Declarant Control one (1) director shall be elected for a term of two (2) years and two (2) directors shall be elected for a term of one (1) year, and thereafter directors shall be elected for terms of two (2) years.

Chairman Wiggins stated that per the Bylaws, Article V, Section 2, "nominations for election to the Executive Board shall be made by a Nominating Committee and that nominations may also be made from the floor". He further stated in summary that "the Nominating Committee shall be appointed by the Board President and shall consist of a Chairman, who shall be a member of the Executive Board and two (2) or more other members". Chairman Wiggins indicated that per the Bylaws, Article V, Section 2, "the Nominating Committee shall make as many nominations for election to the Executive Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled". Chairman Wiggins stated that he had agreed to Chair the Nominating Committee for this election and he will make the Nominating Committee's report.

Mr. Wiggins stated that the Committee had nominated Mrs. Marianne Iavarone for the one (1) open Executive Board seat to serve for a term of two (2) years from the date of this Annual Meeting.

Mr. Wiggins next opened the floor to nominations. With no nominations being made from the floor, Mr. Wiggins requested a motion to close the nominations.

Upon a motion duly made by Mr. Bill McPhaul, Lot 11-A, seconded by Mr. Robert Makay, Lot 9-A, and carried, it was:

MOVED: That the nominations be closed; and further, that the Nominating Committee's slate be elected by acclamation.

Chairman Wiggins indicated that the new Board would be meeting immediately following this meeting to organize by electing officers and considering committee appointments.

VII. 2012 Budget Ratification

A. Budget Presentation & Review

The Chairman next addressed the ratification of the 2012 operating budget.

Mr. Wiggins cited the Bylaws which in summary states "an annual budget for the Association for the next year shall be presented at the annual meeting of the Owners. Within thirty (30) days after the adoption of a proposed budget, the Executive Board shall provide to all Owners a summary of the budget and a notice of the meeting to consider ratification of the budget. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless, at that meeting, a majority of all the Owners rejects the budget."

Mr. Wiggins stated that the Executive Board, with the assistance of Management, was responsible for the preparation of the 2012 budget. Mr. Wiggins requested Mr. Cranford to present the adopted 2012 budget to the membership.

Mr. Cranford began his presentation and informed the membership that he would give a broad overview of the budget, noting that a 2011/2012 Budget Comparison had been included in the Annual Meeting Notice packet.

Mr. Cranford reviewed the budget by covering, with explanations, the changes from 2011 in each of the revenue and expense categories. He provided details of the changes in the level of services and a capital improvement project to be funded by the 2012 budget for the installation of new gutters and gutter guards.

Mr. Cranford stated the adopted 2012 annual assessment for each townhome is \$1,829.00, which represents a \$255.00 increase as compared to 2011.

Mr. Cranford further stated that the 2012 assessments will be payable in two (2) installments of \$914.50 each, being due January 1, 2012 and July 1, 2012. Delinquent assessments not paid by close of business on January 31 and July 31, 2012 respectively, will be subject to the Association's collection policy, including the levy of late fees and interest charges.

Mr. Cranford concluded by opening the floor to questions.

Q. Mrs. Kanach, Lot 11-B asked regarding the installation of gutters which buildings would be done first.

A. Mr. Cranford responded that buildings 10, 11 and 12 would be first.

Q. Mr. Kain, Lot 6-D asked if the Board had considered seeking payment from Coastal for the cost of the gutter installation.

A. Mr. Cranford responded that the Board has determined not to do so at this time.

Q. Mr. Iavarone, Lot 7-D asked what part of the \$14,585 gutter expenditure is for the first three buildings.

A. Mr. Cranford responded that the cost of the gutters and guards is approximately \$3,000 to \$4,000 per building, with the remainder being the gutter rehab for the other buildings.

- Q. Mr. Kain, Lot 6-D inquired as to the statute of limitations on repairs of this nature.
- A. Mr. Cranford responded that there is a three (3) year stature for non-structural items such as gutters, which would not apply to any of The Gallery buildings as the most recent certificates of occupancy dated back to 2007.
- Q. Mr. Kanach, Lot 11-B inquired regarding a water leak around a window in his unit.
- A. Mr. Cranford responded that the Board would look into the problem.
- Q. Mr. Bill McPhaul, Lot 11-A stated that there are a large amount of damaged shrubbery around the buildings and asked what the plan is for replacement.
- A. Mr. Cranford stated that money has been included in the budget for those items.
- Q. Mr. Bill McPhaul, Lot 11-A stated that additionally the pine straw application was poorly done and the quality of the pine straw is not acceptable.
- A. Mr. Cranford stated that the landscape maintenance contractor will be notified.

With no further questions posed, Mr. Wiggins expressed his appreciation to the Board and Management for the time expended in preparing the budget. Mr. Wiggins further stated that having heard no action on the part of the membership to reject the budget, he declared the adopted budget to be ratified per the stipulations of the Bylaws. He also noted that the 2012 assessment billings would be mailed to the membership following this meeting.

A copy of the ratified 2012 budget is attached to these minutes as Exhibit "A".

VIII. New Business and Member Comment:

Mr. Wiggins stated he had reviewed the minutes from the previous members' meeting and found no items of unfinished business requiring action.

He then opened the meeting to items of New Business and member comments.

A. IRS Tax Treatment Action:

Mr. Wiggins requested that Mr. Cranford introduce the first item of New Business

Mr. Cranford explained that per the recommendation of the Association's accountant and in compliance with the IRS regulations, the Association had been advised to adopt the following resolution by motion of the Members at each Annual Meeting, in order to maintain maximum flexibility with regard to the filing of the annual corporate tax return as it relates to the tax liability on the Association's accumulated reserves.

Upon a motion by Mr. Robert Makay, Lot 9-A, seconded by Mr. Kenneth McGuire, Lot 1-C, and carried, it was:

MOVED: That since The Gallery at Rivers Edge Owners' Association, Inc. is duly organized and existing under the laws of the State of North Carolina; and further, that since the members desire that the corporation shall act in full accordance with the rulings and regulations of the Internal Revenue Service, the members hereby adopt the following resolution by and on behalf of The Gallery at Rivers Edge Owners' Association, Inc.:

RESOLVED: That any excess of membership income over membership expenses, for the year ended December 31, 2011 as defined in Internal Revenue Codes Section 277, shall be applied against the future expenses, as is provided by IRS Section 528; and further, that should the Association have two (2) consecutive years of excess operating revenue over operating expenses, that such calculated surplus in the Second year may be transferred to Reserves.

B. Member Comments:

Mr. Richard Kain thanked Mr. Wiggins for his service to the community over the past several years.

With no further comments forthcoming from the members, Mr. Wiggins thanked everyone for their input and attendance.

IX. Adjournment:

Upon a motion duly made, seconded and carried, Chairman Wiggins declared the meeting adjourned at 10:55 o'clock AM.

Submitted by:

Patrick Wright, Secretary

Approved by:

Michael Wiggins, President

Dated: _____