

The Gallery at Rivers Edge Owners' Association, Inc.

Minutes of the Fifth Annual Meeting

November 15, 2012

The Fifth Annual Meeting of The Gallery at Rivers Edge Owners' Association, Inc. was held on Thursday, November 15, 2012 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. Patrick Wright welcomed the members and introduced himself as Executive Board President. He introduced those persons sitting at the head table, including Board Vice President, Sheridan Vernon and Board Secretary/Treasurer, Marianne Iavarone. 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. Wright called the meeting to order at 10:00 o'clock AM. Mr. Wright 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 2013, the review of the 2013 operating budget, and for such other purposes as specified in the Bylaws of the Association." Mr. Wright 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. Wright stated that he will serve as Chairman of the Meeting and that Marianne Iavarone, will serve as Secretary of the meeting.

III. Roll Call and Quorum Establishment:

Mr. Wright called upon Mrs. Iavarone to report on the roll call and check-in process in order that a quorum be established. Mrs. Iavarone reported that seven (7) votes were present in person and fifteen (15) votes were present by proxy, or a total of twenty-two (22) votes present at the meeting. She indicated that this represented 35.48% 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. Wright 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. Wright 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. Wright examined a Proof of Mailing of the Notice of the Fifth 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 Annual Members' Meeting Minutes:

Mr. Wright stated the minutes of the Annual Members' Meeting, held November 11, 2011, required approval. Mr. Wright 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. Michael Wiggins, Lot 10-F, seconded by Mr. Bill McPhaul, Lot 11-A and carried, it was:

MOVED: That the reading of the minutes of the Annual Members' Meeting held November 11, 2011 be waived; and further, be approved as written.

VI. President's Report

Mr. Wright reported the numerous accomplishments and enhancements to the community by the association during the year. A significant project that was completed was the replacement of all gutters and the installation of new gutter guards. Landscaping was enhanced with new plantings, additional pine straw and pruning. Projects for 2013 include irrigation maintenance, additional plantings, cleaning downspouts. A major project in the planning stage is the replacement of the outside stairs for each unit possibly with the use of a composite, low maintenance material.

Mr. Wright also discussed the need to complete a "Change Form" and submit to the Architectural Review Board for any exterior change to a unit.

Mr. Wright concluded by stating that it was imperative that a proof of insurance for every unit be submitted to the Management office each year upon renewal by all owners.

Q. Mr. McKenna, Lot 2D inquired as to the feasibility of a master insurance policy covering all townhomes.

A. Mr. Cranford, Management Consultant, stated that the association only carries General Liability and Directors & Officers insurance for the common area exposures. He added that with the differing types of ownership use; i.e. permanent residence - second home – investment/rental, a master policy simply could not be structured to satisfy the variety of ownership desires.

VII. Executive Board Election:

A. Nominating Committee Report

Mr. Wright 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 Wright appointed Jim Cranford and Martha Sue Ludman to serve as Inspectors and Tellers of the Election, if necessary. He stated that when directed, they distribute the ballots, collect the same and assist the Secretary with the vote count.

Chairman Wright 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 Wright 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 Wright 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 Wright 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 Wright 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 Wright 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 Wright stated that he had agreed to Chair the Nominating Committee for this election and he will make the Nominating Committee’s report.

Mr. Wright stated that the Committee had nominated Mr. Sheridan Vernon and Mr. Patrick Wright for the two (2) open Executive Board seats to serve for terms of two (2) years from the date of this Annual Meeting.

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

Upon a motion duly made by Mr. Michael Wiggins, Lot 10-F, seconded by Mrs. Nancy Kanach, Lot 11-B, and carried, it was:

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

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

VII. 2013 Budget Ratification

A. Budget Presentation & Review

The Chairman next addressed the ratification of the 2013 operating budget.

Mr. Wright 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. Wright stated that the Executive Board, with the assistance of Management, was responsible for the preparation of the 2013 budget. Mr. Wright requested Mr. Cranford to present the adopted 2013 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 2012/2013 Budget Comparison had been included in the Annual Meeting Notice packet.

Mr. Cranford reviewed the budget by covering, with explanations, the changes from 2012 in each of the revenue and expense categories and provided details of

the changes in the level of services to be afforded in 2013 as well as reviewed the cost of the Board's improvement projects to be funded by the 2013 budget.

Mr. Cranford stated the adopted 2013 annual assessment for each townhome is \$1,676.00, which represents a "decrease" of \$153.00 or approximately 85, as compared to 2012.

Mr. Cranford further stated that the 2013 assessments will be payable in two (2) installments of \$838.00, each being due January 1, 2013 and July 1, 2013. Delinquent assessments not paid by close of business on January 31 and July 31, 2013 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. Mr. McKenna, Lot 2-D inquired as to how many full time and part time owners were living at The Gallery.
- A. Mr. Cranford responded that of the 62 units, approximately 65% are owned as second homes, 25% are occupied as full time residences and the remaining 10% of the units were owned for investment or rental purposes.

With no further questions posed, Mr. Wright expressed his appreciation to the Board and Management for the time expended in preparing the budget. Mr. Wright further stated that having heard no action on the part of the membership to reject the budget, he declared the adopted budget ratified per the stipulations of the Bylaws. He stated that the 2013 assessment billings would be mailed to the membership in early December.

A copy of the ratified 2013 budget is attached to these minutes as Exhibit "A".

VIII. New Business and Member Comment:

Mr. Wright 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. Wright 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. Dennis Iavarone, Lot 7-D, seconded by Mr. Joe McKenna, Lot 2-D, 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, 2012 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:

- C. Mrs. Iavarone, Lot 7-D commented with regard to recent information regarding a local deer hunt, that she was not in favor of the community being involved in any type of deer hunt being organized within Rivers Edge.
- A. Mr. Wright stated that this issue would be addressed by the Rivers Edge POA Board at their meeting scheduled for November 20, 2012.
- C. Mr. Vernon, Lot 11-D stated that he felt that the Board President should be reimbursed/compensated for out of pocket expenses incurred in the performance of his duties as President. After a lengthy discussion and on motion of Mr. Bill McPhaul, Lot 11-A, seconded by Mrs. Nancy Kanach, Lot 11-B, and carried by a vote of five (5) in favor, one (1) and one (1) abstention, it was:

MOVED: That subject to review of the Association governing documents, the sitting POA President is to be compensated in an amount equal to, but not exceeding the amount of his/her annual assessment.

Note: Upon review of the governing documents following the meeting, it was determined that the above action was contrary to the Association's governing documents and was declared to be null and void.

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

IX. Adjournment:

Upon a motion duly made, seconded and carried, Chairman Wright declared the meeting adjourned at 11:05 o'clock AM.

Submitted by:

Marianne Iavarone, Secretary

Approved by:

Patrick Wright, President

Dated: _____