

The Gallery at Rivers Edge Owners' Association, Inc.

Minutes of the Seventh Annual Meeting

November 20, 2014

The Seventh Annual Meeting of The Gallery at Rivers Edge Owners' Association, Inc. was held on Thursday, November 20, 2014 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, Patrick Wright and Board Secretary/Treasurer, Sheridan Vernon. 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 2015, the review of the 2015 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 he will serve as Chairman of the Meeting and that Sheridan Vernon, will serve as Secretary of the meeting.

III. Roll Call and Quorum Establishment:

Mr. Wiggins called upon Mr. Vernon to report on the roll call and check-in process in order that a quorum be established. Mr. Vernon reported that six (6) votes were present in person and twenty-two (22) votes were present by proxy, for a total of twenty-eight (28) votes present at the meeting. He indicated that this represented 45.2% 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 Seventh 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. Wiggins stated the minutes of the Annual Members' Meeting, held November 15, 2013, required approval. Mr. Wiggins requested the Secretary read these minutes unless there was a motion to waive the reading and approve the minutes as submitted.

Upon a motion by Mr. Dennis Iavarone, Lot 7-D, seconded by Mr. Richard Kain, Lot 6-D, and carried, it was:

MOVED: That the reading of the minutes of the Annual Members' Meeting held November 15, 2013 be waived; and further, that the minutes 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 Gail Miller 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 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 Mr. Sheridan Vernon and Mr. Patrick Wright for the two (2) open Executive Board seats to serve for a term of two (2) years from the date of this Annual Meeting.

Mr. Wiggins requested a motion to close the nominations.

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

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

B. Election Results:

Mr. Wiggins announced the results of the election of The Gallery Executive Board stating the name of the new Board members. He noted that the new Board members will serve a two-year term.

**Sheridan Vernon
Patrick Wright**

VII. 2015 Budget Ratification

A. Budget Presentation & Review

The Chairman next addressed the ratification of the 2015 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 2015 budget. Mr. Wiggins requested Mr. Cranford to present the adopted 2015 budget to the membership.

Mr. Cranford reviewed the budget by covering, with explanations, the changes from 2014 in each of the revenue and expense categories and provided details of the changes in the level of services to be afforded in 2015.

Mr. Cranford presented a report on the stair replace project as follows:

As announced at the 2013 Annual Meeting, the stairway replacement project was to be funded as a loan from the existing accumulated Roof Reserve funds with this loan being repaid over the remaining roof lives, approximately twenty (20) years, through the annual assessment. Additionally, accumulated Painting Reserve funds would be available to fund this project if necessary. This funding plan was based on the cost estimate of \$79,754 at the time of the 2014 budget preparation and membership's adoption of the budget.

At this Annual Meeting Mr. Cranford reported that due to building permitting requirements, additional engineering evaluation and additional permitting fees would be required along with additional building materials. These actions increased the original cost by \$22,400, giving a new total cost of \$102,154. The "reserve loan funding" totals \$56,520 (Roof & Stair Resealing). The total available "loan" funds leave a shortfall of \$45,634.

Mr. Cranford announced that the total cost expended to date, inclusive of all permitting and engineering fees, ALL MATERIALS and the labor to complete five (5) buildings totaled \$94,053. The estimated labor cost for the remaining seven

(7) buildings is \$23,000, resulting in a total shortfall of \$68,634. This shortfall will be funded, as planned, from the existing Painting Reserves.

Mr. Cranford noted that the repayment of the Roofing Reserve loan has been factored into the 2015 and forward budgets. He stated there are three options for the repayment of the Painting Reserve loan, recognizing that all buildings are scheduled for repainting in 2017. These options are:

1. Completely recoup the \$68,634 in the 2016 budget, resulting in a one-year assessment increase of \$1,107 per unit;
2. Delay the scheduled repainting for one year, allowing two budget cycles to recoup the \$68,634, resulting in a 2016 and 2017 assessment increase of \$553.50 per unit;
3. Obtain a bank loan for \$69,000 to immediately reimburse the Painting Reserves, with a payment term of five (5) years, which would increase each unit's assessment in the \$250 range, beginning in 2016, for five years.

After a lengthy discussion and Q&A session, the membership in attendance overwhelmingly endorsed Option 3. The Board will keep the membership informed of its progress in this regard via email

Mr. Cranford stated the adopted 2015 annual assessment for each townhome is \$1,790.00, which represents a "decrease" of \$50.00 as compared to 2014.

Mr. Cranford concluded stating that the 2015 assessments will be payable in two (2) installments of \$895.00, each being due January 1, 2015 and July 1, 2015. Delinquent assessments not paid by close of business on January 31 and July 31, 2015 respectively, will be subject to the Association's collection policy, including the levy of late fees and interest charges.

The floor was then opened to comments and questions.

- Board Vice President Wright stated that he will inspect the completed stairs for each unit.
- Mr. Kain thanked Mr. Wright for his time and effort on the project.
- Mr. Cranford reminded the members and Board that the Architectural Review Board (ARB) must approve any and all touch-up paint and paint color as well as any other stain color as well as "any" exterior change to any unit.

Mr. Wiggins 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 2015 assessment billings would be mailed to the membership in early December.

A copy of the ratified 2015 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. Dennis Iavarone, Lot 7-D, seconded by Mr. Ken 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, 2014 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.

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 11:15 o'clock AM

Submitted by:

Sheridan Vernon, Secretary

Approved by:

Michael Wiggins, President

Dated: _____