

Minutes
Bull Point Property Owners Association
2012 Annual Meeting
November 19, 2011

At approximately 1:45 pm, the meeting was called to order by POA Board President Stan Kirkland who welcomed everyone to the 2012 Property Owners Association Annual Meeting. Bobbie Kirkland, Vice President of the POA, was not in attendance. Russ Dimke, Secretary/Treasurer of the POA, verified and reported the proxies. The total number of votes represented at the beginning of the meeting was 107 which were 58% of the total eligible membership of 183 votes. Russ noted that since the Budget Package was sent out which listed 182 lots paying dues in 2011, an additional lot has changed ownership. As a result, the POA lien has been paid (delinquent dues) making the total lots eligible to vote today to 183.

Minutes of the 2011 POA Annual Meeting were unanimously approved by all attending.

The next agenda item was the Project review starting with status of the foreclosure action on Bull Point LLC. Stan began by referencing the comments he made at the recent November 2nd POA Board meeting (see November 2, 2011 Board meeting minutes posted on the POA website on November 8th). Since that meeting, he has now received notice that Federal judge has signed an order to proceed with the foreclosure. As a result Stan has much more information on how and when the sale (completion of the foreclosure action) will be conducted. Stan noted the first step will be the placement of an ad (legal notice) by a Federal marshal in the local paper concerning the foreclosure similar to the notice placed for Beaufort County foreclosure actions. This notice will run once a week for four weeks. In this case, Stan expects that within 60 days of the placement of the first ad, the "sale" should take place. The winning bidder will at that time be awarded the property and all parties named in the foreclosure action including Bull Point LLC will no longer have an interest in Bull Point. Whoever buys it would become the new owner and take over the role of the Developer in accordance of the Covenants. Since Bull Point LLC will not try to delay or prolong the proceeding, Stan expects this sale should take within the next 4 to 5 months.

A member asked Stan why the foreclosure is in Federal Court. Stan responded that the plaintiff had the option in this case to file in either County or Federal Court and they probably chose Federal Court since the case would be likely be resolved more quickly.

Terry Stone asked in what specific Federal Court was the case filed and who were the parties named. Stan noted the case is filed in Beaufort District Federal Court and the parties named were Bull Point LLC, Bob Wolfson, Ervin Mathias, Bull Point Property Owners Association, John and Nona Maddray, and the South Carolina Department of Revenue. Terry then asked if the POA entered an appearance (formally responded to the foreclosure action). Stan answered he did so for the POA and included detail on all the funds (mortgage notes) Bull Point LLC owes the POA.

Bob Wolfson asked Stan how the property owners are assured that the new owner will pay lot dues since it is not specifically stated as such in the Covenants. Stan responded that this topic was also discussed at the last (November 2nd) board meeting. He went on to say that the Covenants did not anticipate the current arrangement between the POA and Bull Point LLC whereby LLC had agreed to pay dues on its developed lots. The new owner will have the option to continue paying such lot dues or go back to the Covenants whereby they are responsible to only make up any shortfall to the Budget (Section 9.11).

Stan was asked what he knew about the German American Capital Corporation (GACC), the company which purchased Bull Point LLC's mortgage note from BB&T, the original mortgage lender. He answered that GACC is basically a finance company. There is another party involved, the Gibraltar Asset

Management Company, which is assisting GACC in their foreclosure action. Stan has asked them what their plans were for Bull Point but received no indication if they either intend to become the Developer or turn around a sell it to a third party.

The next item on the agenda was a report by Dick Lovett, POA Director of Operations, regarding Roadway and Walking path repairs. Dick noted that when the walkways and roadways were designed the emphasis was to keep as many trees as possible even those very close to the right of ways. As a result we now have significant tree root infiltration undermining the pavement. With advice from an arborist, it was recommended that we first contract with a specialist who had the equipment to cut the tree roots on the sides of the pavement. Since the arborist did not feel this would significantly damage most trees, the only issue would be that some trees may become susceptible to uprooting if they experience strong winds from the side where the roots were cut.

Extensive root cutting was implemented and in those areas where the root damage was greatest, the asphalt and underlying roots were removed. Root cutting, repairs, and repaving cost for this project upon completion totaled \$35,000. Dick commented that further such repairs and repaving will be needed in the future but we have now addressed the most damaged areas.

Dick continued the project review section of the meeting by updating the membership on the Lake Izard expansion/repair project. Dick referred to the engineering plan of the project on display at the meeting pointing out landmarks to help members visualize the work to be done. Dick noted the existing configuration and size of the lake provides insufficient water depth and surface area to keep the water from stagnating and allowing too much algae growth. The existing narrow distances between the shoreline and the island also need to be widened to further encourage surface area/water flow.

Dick pointed out that when the project was initially developed by Bull Point LLC three years ago, all the impacted property owners bordering this lake were contacted to review and approve the work to be done. All but one owner signed off on the plan. (Note - the current project now underway will not impact the one lot who did not.) At that time, the cost of the entire project was expected to be in the \$65,000 range. During the November 2009 annual meeting, the membership approved that the POA would contribute \$30,000 in Contingency Funds toward this project. Subsequently, Bull Point LLC obtained several bids on the project all exceeding \$100,000. Further, the economic downturn forced LLC to shelve the project and then at the beginning of 2011, inform the Board it will not be able to fund any of this project.

Dick advised The POA Board that the poor economic conditions have brought the rental heavy equipment down considerably. He recommended that if the POA used its own labor and acted as its own general contractor, we had a short term opportunity to bring this project in house at a significant savings versus the bids LLC received earlier. Since we knew that all the funding would now have to come from the Contingency Fund, the POA elected reps (Jay Coleman and Russ Dimke) asked Dick to proceed and develop a project cost estimate to do so. The resulting cost estimates indicated we could do the project in house for less than \$50,000 with an initial estimate in the mid to upper \$30,000 range. Jay and Russ approved the project to proceed during the June 2, 2011 POA Board meeting.

Terry Stone commented that he does not object to the decision to proceed on this project but noted he appears to have not received notice for the June POA Board meeting nor the most recent November 2nd meeting. Since the other attendees acknowledged they received an email notice in advance of the meetings, Russ told Terry he will follow up with Annette to be sure Terry is not missing from the email list.

Frank Korom asked Dick to point out on the drawing where the common area access to Lake Izard will be. Dick responded it will be at the existing gravel fire truck access road between the Wehmer's (Lot 124) and Lot 125. At that point on the lake shore, there is a bridge planned to allow access to the main island in the lake. The under story growth on this island will be cleared and become a picnicking and

fishing area. Frank asked if there will be any parking area on the shoreline there, and Russ noted there should be room for several vehicles.

Dick reported the project began a few weeks ago and was going well until just recently when we had an accident with the Caterpillar Trac Hoe (the rented excavating machine). While working, the machine hit a soft spot partially burying the unit in mud rendering it inoperable. It took over 21 hours to tow out the unit and send it back to the supplier for repair. The costs involved with the accident are considerable but the insurance we added specifically for this equipment has only a \$500 deductible. However, there are some other expenses related to the accident may not be covered by our insurance. This includes the transportation costs for the replacement unit scheduled to be delivered to Bull Point by this Monday (November 21st). Even with these yet to be fully determined additional expenses, Dick still expects the project to be completed in the \$40,000 range. Russ noted he and Jay will continually monitor the project cost with the goal to keep the cost of the project as low as possible and while assuring the resulting park will be an outstanding amenity addition for the enjoyment of all members.

Craig Whitaker asked how what percentage of the project has been done to date. Dick said he had originally estimated 22 working days of digging would be required plus 10 more digging days to reshape the lake and island banks. To date before the accident, 8 days of digging has occurred so about 20 to 30% of the work is complete.

Dick asked if there were any other comments or questions. Guy Collier commented that he thought the decision to proceed on this project in house was a very good decision and will save the POA a considerable amount of money versus putting it off into the future. Two other property owners added similar comments.

Stan turned the meeting over to Russ Dimke to present the Forecast and Budget Review. Russ referenced the details of the 2011 Budget, 2011 Forecast and the 2012 Budget included in the Annual meeting package sent out to all property owners.

He noted the 2011 Forecast is expected to within \$530 of the 2011 Budget, essentially right on plan. Revenue is expected to be \$5,000 less than Budget due to the drop in Bank interest/CD rates to near zero. The Budget had assumed a continuation of last Fall's rate of 1.75%. Russ also pointed out that the 2011 Revenue Budget included a goal to collect \$10,000 in delinquent dues from prior years. He reported that fortunately over \$9,000 of such funds are expected to be collected in 2011. Due to the unpredictability and timing of such collections, it has been decided not to include this income item in the 2012 Budget. All such delinquent prior year's dues collected in 2012 will be deposited in the Contingency Fund as had been done prior to 2011.

The shortfall in 2011 Revenue, however, is expected to be nearly offset by an equal reduction of Community Services Expenses versus Budget. Russ first reported that an error while developing the 2011 Budget left out the cost of Janitorial services and supplies for the POA amenities creating an unplanned \$8,000 cost. In addition, the POA Board decided to enter into a maintenance agreement for all the POA's ATU septic systems which resulted in an unbudgeted expense of \$4,000. These unplanned costs were more than offset by a \$4,000 tax credit due to the "ObamaCare" law, \$4,500 lower Medical Insurance costs, and tightly controlled spending in a number of other areas which is expected to save \$9,000 more versus plan. Russ went onto explain the Medical Insurance savings were the direct result of the termination early in 2011 of an employee on the plan. He noted that the replacement employee is expected to join the plan in 2012 effectively reversing this "savings" for next year.

The 2011 Budget prepared in October of 2010, assumed that \$8,000 of unspent 2010 funds would be left over on December 31, 2010 and would be carried over to 2011. The actual amount left over by year end 2010 was \$16,000 which is the primary reason we now expect to have a \$15,000 carryover into 2012.

The 2011 Budget was based on 179 lots paying dues. The actual number of lots who had paid their dues at the time the forecast was developed was 182. Russ noted delinquencies for non-developer lots appear to have stabilized as bank foreclosures are completed and the banks or new owners takeover.

Russ then went onto the review of the 2012 Budget versus the 2011 Forecast. He highlighted that in total the net Revenues/Expenses in the 2012 Budget are \$451K or \$26K more than the 2011 Forecast.

2102 Revenues are expected to be \$8,000 less than the 2011 Forecast since collections of past year's delinquent dues will not be included as Russ explained earlier when reviewing the 2011 Forecast. Community Service Expenses are planned to be \$18,000 more versus 2011. \$4,500 of the increase is due to an addition employee joining the health insurance plan as noted previously as part of the Forecast review. Most of the rest of the increase is primarily due to inflationary factors and modest wage increases.

Given Bull Point LLC's pending foreclosure, no dues are expected to be paid on Developer lots again in 2012. The number of delinquent privately held lots is expected to stabilize at 23 for 2012 versus last year's Budget of 25 such lots. Russ also noted that the POA will take over ownership of lot 223 which was the collateral on a note LLC gave the POA for unpaid 2008 dues. In summary, the 2012 Budget is based on 182 lots paying dues versus the 2011 Budget assumption of 179.

The Contingency Fund contribution for 2012 will remain at \$200 per lot resulting in total 2012 dues of \$2594 per lot, a 2.7% increase versus 2011.

Russ commented further on the 2011 Contingency Fund activity noting that \$64,000 has been spent so far this year. The major expenditures include the \$35,000 for walking path/roadway repair (detailed earlier by Dick Lovett), \$6000 for treatment and algae removal at Lake Bellinger, \$4000 for resurfacing of the Tennis Courts, \$4500 for an independent external audit of the POA financials, and \$7000 for legal fees and other costs associated with preparing the POA for the change in Developer ownership. He also added that before the end of 2011, an additional \$20000 will be spent on the first part of the Lake IZard project now just underway. Russ commented he will provide more detail regarding the \$7000 in legal expenses at the conclusion of the review of the Contingency Fund.

He noted the current reduced level of \$200 per lot now being added to the Contingency Fund amounts to only \$36,000 per year which is much less than amount likely to be needed in the next few years. Russ recommended that the Contingency Fund contribution return to the pre 2009 rate of \$400 per lot as soon as possible once the economic conditions improve.

For 2012, Contingency Funds are expected to be spent to complete the Lake IZard project and to continue receiving legal advice associated with the LLC's foreclosure and pending Developer ownership change. Russ highlighted that the Pool is in need of repair/resurfacing at a cost estimated to be \$60,000 but the latest input indicate this project can be delayed until 2013. There is also the issue of the yet to be built deck covering the Clubhouse fire suppression tank, missing stove and exhaust hood, and gas fireplace log insert and associated propane gas tank. The cost to complete all these items is expected to exceed \$50,000. These were originally to be funded by the Developer, Bull Point LLC, but clearly this will not occur. Russ recommended that before POA Contingency funds are spent on these needed items, the POA should first try to have the new "Developer" to fund them.

Russ then provided more detail regarding the \$7000 of legal fees paid in 2011. Early this year when it was apparent that Stan (Bull Point LLC) would not be able to remain as the developer, Jay Coleman and Russ asked the Board to approve that the POA obtain independent legal council chosen and directed by Jay and Russ only. Stan agreed and the Hilton Head Island firm of Smoot & Pitts was chosen to represent and advise the POA membership as to what actions the POA should or could take in our current situation. The law firm of Smoot & Pitts was chosen because of their experience representing other POA's in similar situations in the area. After this law firm thoroughly reviewed our Covenants, a meeting with was

held with them to discuss our concerns and identify what options may be available to us. In addition to the POA representatives, several other POA members most familiar with the ongoing issues were asked to also attend and offer their input in this meeting. Russ recognized and thanked Frank and Marie Korom, Garry Parks, Bill Wehmer, and Dick Lovett as those who attended and helped develop a legal course of action.

The key recommendations from the lawyers as a result of the meeting were (1) that the POA should try to obtain title to all the remaining common land in the completed Phases 1 through 6 not yet turned over by the Developer and, (2) protect the Contingency Fund by formalizing in the Covenants the current arrangement whereby Contingency Funds can only be spent with the approval of the POA elected representatives.

These concerns were presented to Stan and he graciously agreed to both items. Russ then worked with the Smoot & Pitts to have the necessary legal documents prepared. Stan, as principal of Bull Point LLC (the Declarant), then signed and executed (1) the deed to turn over the remaining common property and (2) the Contingency Fund Amendment to Covenants. Both documents were then filed at the Beaufort County Register of Deeds on 10/24/11.

Terry Stone asked if the park area shown in the yet to be developed portion of Bull Point was included in the above noted deed. Stan responded that that future planned park area was part of Phase 7 and thus is part of the foreclosure proceeding and could not be legally deeded to the POA.

Bob Wolfson asked what precluded the new owner to develop Phase 7 as an independent development not part of Bull Point and thus the lots in that area would not have to pay lot dues. Stan noted the new owner would be bound by the Covenants as well as the plan approved for Phase 7 by Beaufort County. Russ added that this issue was discussed with the POA law firm and they too concluded the new owner/developer would have to abide by the Covenants and develop Phase 7 as originally planned by Bull Point LLC.

Returning to the review of Contingency Funds spent in 2011, Russ referenced the POA financial audit completed earlier this year now posted on the POA website. Russ noted the main purpose of the audit was to be sure the proper financial procedures and controls were in place and that our balance sheet was accurately stated. The results of the audit revealed no major issues and the few minor recommendation by the auditor have already been put in place. Russ went onto say that based on the good results as well as the \$4500 audit cost; he recommends that in the future a full audit be completed every few years, not every year. Terry Stone suggested we might look to at some sort of lower level financial review in the interim years which Russ agreed to investigate and obtain a cost to do so.

There were no other questions from the members so Russ turned the meeting back over to Stan.

Rich Swilpa stated that it is his understanding that when the new owners take over they will take the place of Stan and Bobbie and thus control the POA Board. Stan agreed and Russ further noted the day the property is conveyed the new owners would become the Declarant under our Covenants. This gives them the right to immediately put in place an entirely new group of Board members.

Rich then suggested that Stan and Bobbie step down from the Board at this time and have the membership elect members to fill all the Board positions for 2012. Stan responded that he could not do so since it would put the new owner in an awkward position when they take over. Russ noted that in his opinion, it would not impact or constrain the new owners in any way since they would still have the right to name a new Board on the day they take over. Stan replied it will only be a few months before the change in ownership thus he could not agree to step down in the interim.

Another member then asked about the ownership status of the bridge to Big Bull Island. Russ answered it was not yet formally transferred to the POA but since it is complete, it will certainly be transferred over to

the POA sometime in the future. Russ commented this bridge will be a significant maintenance and repair liability for the POA. Terry Stone suggested that the cost to maintain this bridge be the responsibility of only those lot owners on Big Bull Island. He noted our Covenants allow for the establishment of such an arrangement as a Limited Common Element (Section 9.06). Stan responded that one lot has been sold on the island without the bridge identified as a Limited Common Element (LCE). He stated the only way to put one in place now was for the POA to first buy back that lot. Then the POA could put in place the bridge LCE and make it part of all future Big Bull Island lot sales. Terry still felt the Covenants would allow putting the LCE in place without having to buy back the lot. Russ responded that he will take the issue to the POA law firm for further review.

A member asked what the procedure was to make changes to the Covenants. Russ answered that the Covenants allow the Declarant to unilaterally add amendments to the Covenants as long as they do not materially (negatively) impact the membership. An example is the recent noted amendment involving control of the Contingency Fund. Since this in effect enhances the rights of the membership, the Declarant can do so by himself. As for other changes or additions to the Covenants which the membership may desire, the Covenants call for vote of at least 75% of the membership to do so.

Stan Kirkland then called for a vote to approve the 2012 Budget. All in attendance approved the budget unanimously.

Sandy Dimke, Chairperson of the Architectural Review Board, gave an update of 2011 ARB activity. She first told the membership that she recently informed the ARB members that she wished to leave the Board at the end of the year. The ARB members felt with the pending change in Bull Point ownership, it would be important to have continuity in this important function during 2012 and as a result Sandy agreed to stay on one more year.

Sandy continued by noting that 2011 has been a slow year with several monthly ARB meetings cancelled due to no items to address. There has been one home completion in 2011 (Fenig, lot 87) and two homes under construction (Stone, Lot 58 and Marzluff Lot 62). The ARB had two other members receive final house plan approval but neither is planning to start construction in 2012. Currently there are two house plans in the Preliminary approval stage. One has recently asked to proceed to final approval in January and begin construction in 2012. In addition, there are two home plans in the conceptual stage. In summary, Sandy expects between 2 and 3 new homes will begin construction sometime in 2012.

Before moving onto the new business portion of the Agenda, Russ informed the membership of the recent energy audit of the Clubhouse performed by Efficient Energy Advisors (EEA) of which Bull Point resident Garry Parks is a partner. EEA helped the POA to receive a government grant to pay for 100% of this study. It was a very thorough and interesting report which was presented to the POA Board a few months ago. As a result, Jay Coleman will form a small group of members to review the study recommendations and develop a priority list of those items the POA should fund and implement. Russ continued by noting that most of the study is directly applicable to individual homes so Garry has graciously agreed to provide a digital copy of the study to be put on the POA website for all our member's benefit.

The next agenda item was the election of POA Board members for 2012. Stan again appointed himself (President) and Bobbi Kirkland (Vice president) as voting directors from Bull Point LLC for this upcoming year. He then opened the floor to nominations for the other voting Board member position (Secretary/Treasurer) currently held by Russ Dimke. Russ was nominated from the floor to serve another one year term as the property owner's voting Board member. The nomination was seconded and the attending membership voted unanimously in favor of his re-election.

Another member then nominated Jay Coleman to serve another one year term as the non-voting property owner Board member. The nomination was seconded and the attending membership voted unanimously in favor of his re-election.

The next agenda item was a report from the Long Range Amenity Planning Committee chaired by Bill Wehmer. Bill noted that at last year's meeting the committee's initial feeling was to add any new amenities in the current Clubhouse/Pool property if possible.

Bill then handed out a survey to the members in attendance to again rank the amenities they would like to see added or current facilities enlarged. In addition to the list handed out, Bill noted a member requested the amenity of a community garden also be considered. Bill then identified the next step is to ask the Board to approve funds to do a lot survey including as tree/elevation topo for the entire Clubhouse property. If and when this is available, the he further recommends the Board then consider contracting with a professional to create a physical layout plan of the new amenities per the survey noted above. Russ asked Bill to get his entire committee back together to confirm his recommendations and then bring the committee's request to the Board.

The next agenda item was an update from the Wildlife Policy Committee also chaired by Bill Wehmer. At this time, his committee recommends the size and condition the current deer population be monitored by the purchase and installation of several automated cameras placed within in Bull Point. Bill noted the cost to do so would be in the \$500 range. Russ commented that he was in favor of doing so and that he will ask the entire Board to approve this expenditure. Russ went onto note that until such data is accumulated over the next year, the POA will take no actions to reduce the number of deer.

Again, Stan opened the floor to any more questions or comments from those in attendance before closing the meeting. There were no other questions from the floor.

Stan Kirkland thanked all those who attended and adjourned the meeting.

Respectfully submitted by
Russ Dimke
Secretary/Treasurer - Bull Point POA
November 28th, 2011