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The Preserve at Indigo Run
Annual Meeting
December 12, 2011
10:00 a.m.

- I. **Roll Call:** The Preserve at Indigo Run held its annual meeting on December 13, 2010 at 10:00 a.m. at the Westin Resort in Port Royal. Represented at this meeting were sixty seven point six six percent (67.66%) of the membership in person or by proxy. A quorum was therefore established and business was conducted accordingly.
- II. **Proof of Notice of Meeting:** The Notice of Meeting was mailed in accordance with the covenants on October 31, 2011. Proof of such notice was conveyed to those present.
- III. **Reading of Preceding Meeting Minutes:** It was moved, seconded, and carried to waive the Reading of the Preceding Meeting Minutes. It was subsequently moved, seconded, and carried to approve those minutes as prepared and previously distributed.
- IV. **Reports of Officers:** Mr. Ross Pascall, regime President, commented on the strength of The Preserve as it relates to approval for lending and refinancing purposes. He also commented that the preparation of setting the upcoming fiscal year's budget requires the understanding the some "wobble room" may be necessary between line items. Having recently discovered significant rot at Building 14 and a number of defects among the Hawthorne designed units, there still remains a surplus. He further commented that next year's budget planning will likely require some changes as larger repairs might be more likely as the structures age, but he was pleased to keep it unchanged for the immediate future. Mr. Pascall also offered Jan's regret that she was unable to attend this year's annual meeting due to a family emergency. He further commended her for her excellent service to the owners and her quick turn around time to the lenders, which further benefits the owners.

A full copy of Mr. Pascall's President's Report was mailed to all owners.

Mr. Rick Saba, regime Board member/Vice President, offered a report regarding sales. He noted that inventory is at an all time low at The Preserve with only eleven units currently listed for sale. He believes that given other comparable properties, The Preserve has fared well through this real estate loss of value. The lowest sale ever, however, was recently transacted. It was a Cypress that sold for \$191,000, that said the villa was in dire need of repairs and the buyer had to spend \$40,000 to bring the villa up to 'normal' condition. Despite, the downward trend, the Preserve has been fortunate to have had very few foreclosures and short sales.

An owner asked Mr. Pascall what the ratio is of rentals to owner occupied units. Mr. Pascall answered that the newest growth of rentals has been concentrated in the senior market. He stated that the units rented remains under thirty percent (30%) and further stated that as long as the occupants comply with the Rules and Regulations (particularly with reference to short-term rentals) as set forth then it really is not the regime's business how the unit is utilized.

- V. **Reports of Committees:** There were no Reports of Committees.
- VI. **Inspector of Elections:** It was moved, seconded, and carried to elect Mrs. Kimberly Moore, of PAI, Inspector of Elections, should any monitoring of voting become necessary.
- VII. **Election of Directors:** There was only one term for the Board of Directors on which to vote at the 2011 Annual meeting. It was previously held by Ms. Jean Hicks who vacated her term. The three year term would have been up for re-election this year. The Board appointed Mr. Donald Sties to the vacated term in her absence. Nominations were opened to the floor. None being received, Mr. Sties was elected to the three year term.
- VIII. **Unfinished Business:** There was no Unfinished Business.
- IX. **New Business:**
- (A) **Financials:** The most recent financial report was reviewed by Mr. Rob Moore, of PAI. Mr. Moore reported that the calendar year and the fiscal year are the same. He commented that the receivables are relatively low. The Balance Sheet is the 11 month report and reflects an ending fund balance through eleven (11) months of \$1,625,087.00 in combined funds. It was further reported there is a deficit of \$50,000 in operating funds, however, the regime started the year with \$40,000 leaving a negative of only \$10,000 even after having written off \$26,000 in bad debt from owners. Mr. Pascall noted that one of the largest 'expenditures' was to the Regime's own reserve account. With this 'self-payment' excluded the working account would have had a large surplus.
- (B) **Budget:** The proposed budget was reviewed in detail. There were no changes from the prior year. Subsequently, it was moved, seconded, and carried to approve the budget as proposed.
- (B) **Miscellaneous Information:** Several owners stood and asked specific questions. Many stated their name and unit number but some did not. Those exchanges are referenced below:
- Unit owner Douglas Gutow (Unit 4223), inquired about the line item in the budget for salaries. Mr. Pascall replied that the only salaries that are paid out of that line item are those of Jan as the Property Manager and Joel as the maintenance technician. It was further reported that Jan earns a salary of \$44,000 and Joel is paid by the hour. Mr. Gutow asked if the salary paid was for Mr. Pascall and Jan Pascall (Regime manager). Mr. Moore commented that no member of the board, including Mr. Pascall receives any salary. Ross Pascall further commented that the regime manager's salary has not been increased since the first year the owner's took control, eight years ago.

- Addendum – the on site manager is paid for six hours a day. This schedule is posted on the wall leading into the office. Despite this, it is unusual not to find the office open a minimum of 9-10 hours a day and many times on weekends. The Regime does not pay the Regime Manager overtime. Directors are permitted to submit vouchers for expenses incurred in the execution of their duties however, since the HOA was formed in 2004, no director has ever requested reimbursement.
- Unit owner Joseph Muenkel (Unit 1921), inquired about what constitutes a Capital Expenditure. Mr. Pascall answered that whenever a use of funds involves expenditures that are used for purposes that will last at least 10 years it's coded to Capital Expenditures.
- Unit owner David Pagano (Unit 1520), inquired as to what is the Deferred Income. The reply was that it is insurance and it is simply amortized over a twelve-month period for accounting purposes. The Regime pays insurance premiums in cash for the entire year rather than borrow the funds as many Regimes do throughout the Island. This reduces the Regime's expense.
- One unit owner inquired about the town's new waste removal franchise. It was noted that it does not impact The Preserve due to the fact that The Preserve utilizes a dumpster not service yard removal.
- Bill O'Conner (1411) asked if the Board has considered a reserve study or a strategic plan. Mr. Pascall replied that the regime recently invested in a disaster recovery plan with the Town of Hilton Head that will allow for more immediate rebuilding in the event of a catastrophe. Mr. O'Conner still encouraged the Board to enter into a 3-5 year lifecycle report/plan. Mr. Pascall noted that the board had looked into such a study and would consider it in the future however, being the Preserve is a rather new construction and that virtually every building (all 42) are worked on in the course of the year, this 'hands on' experience and knowledge is normally not something other communities have and condition of the buildings is something the board is very familiar with.
- Unit owner Becky Stirk (Unit 110), asked how to obtain a certificate of insurance should lenders request one. She was told that it can be obtained off of the website or by telephoning Ms. Susan Cosh from BB&T/Carswell at (843) 785-5191. Mr. Pascall mentioned that every owner should have received such a certificate relating to his or her particular villa. He also mentioned that the Regime's web site had up-to-date insurance summaries along with every other paperwork a mortgage or insurance company would need.
- Unit owner Steve Broomfield (Unit 3620), mentioned that he was contacted by his lender who was requiring forced placed additional coverage at a high cost. Mr. Moore stated that owners need to inquire with their carriers to see if their policies already have the coverage in place. Some include wind and hail and others do not. Depending upon the language in the lending agreement, the lenders may be able to force place certain coverage.
- Mr. Pascall noted that only four (4) buildings at The Preserve fall within the flood zone but the Board has opted to include all of the buildings with the flood coverage. He noted that the Preserve has one of, if not the most benevolent insurance policies on the Island. Unlike most other Regimes the Preserve's policy covers all owners to the dry wall and even includes an allowance for original appliances. All an owner should purchase is a standard HO6 policy covering possessions and upgrades. Ross

further expressed exasperation in dealing with various insurance and mortgage companies that require expensive and totally unnecessary coverage by the owner. Being Ross handles all insurance and mortgage requests for the Preserve he has seen an increase in processors with little knowledge of the field and companies trying to increase profits by demanding coverage that is already covered by the Regime's policy. He said the word extortion came to mind.

- Unit owner Rita Etheridge (Unit 1310), who was not present suggested in writing that signs be installed on the property regarding proper disposal of dog waste. Mr. Pascall encouraged owners and residents to be mindful of their pets and use common courtesy toward neighbors. Overall, it was felt that the vast majority of residents are responsible in this regard. Ross further commented that any resident leaving dog waste in bags outside their villa was not something the Regime permits and that any resident seeing such activity need only walk into the office or call Jan and the problem would be dealt with immediately. Mrs. Etheridge also had a comment regarding the status of firewalls and/or other fire related inspections. Ross commented that all villas are protected by firewalls and that the insurance providers visit the Preserve, unannounced, each year. These inspectors have free access to all buildings and in 8 years have not had a single negative comment.
- Unit owner Kathleen Holland (Unit 2421), asked if the regime cleans windows or cob webs. The reply was that the regime does not do windows and cob webs are inherently difficult to control. Efforts can be made but they quickly return despite the best intentions.
- Unit owner Toby Franklin (Unit 1721), asked what an owner should do if they suspect that a unit is being rented on the short term rental market. He was told to contact Jan Pascall at the office to report the suspicion. Short-term rentals are not allowed.
- Unit owner Toby Franklin (Unit 1721), asked about the unit that The Preserve purchased in order to evict the current owners. It was explained that The Preserve did not expend regime funds to purchase the unit but they simply have the title based upon the foreclosure of the regimes judgment and lien. The intended purpose was to expedite the banks foreclosure action on the villa, which was filed by the bank and they then ceased to take further action. Mr. Pascall commented that there were other factors the board considered in this particular action that involved the safety of Preserve residents and that this action was not something that would be pursued with other villas unless factors other than financial consideration was present.
- Unit owner Beth Ann Bolcer (Unit 2721), asked what was being done with the wetlands to which the regime was given title. It was reported that by law it must be left alone.
- Mr. Pascall closed with some comments and observations. There are around 600 residents living at the Preserve, that's 1,200 eyes that see everything that's going on. He found it inconceivable that if there were problems, someone wouldn't simply come into the office, call Jan or even if the resident wanted anonymity, just slip the suggestion/comment in the mail slot. Jan, Ross and the rest of the board pride themselves in addressing those problems that are solvable as quickly as possible or, reasons given why they can't. Ross stated that one of the most aggravating aspects of the job are those residents who would rather bicker and complain to everyone other than the very people that can solve the problem. He muttered something about 10-year olds. He reminded everyone that good ideas, comments and complaints don't

have to come from the board – nor do people have to wait for the owner’s meeting - that all residents have not only the right but should feel compelled to come forward with their thoughts.

X. **IRS Resolution:** Mr. Moore, of PAI, read IRS Regulation 1.277-1 that allows the regime to carry over excess income to the following fiscal year without taxation. It was moved, seconded, and carried to approve the resolution as it was read.

XI. **Adjournment:** It was moved, seconded, and carried to adjourn the meeting.

ADDENDUM: As a personal note having nothing to do with the owner’s meeting, I would like to take this opportunity to thank the many residents that have expressed their best wishes, sympathy, concern, cards and flowers over the well being of my mother. Unfortunately Mom died the morning after our meeting. My Dad, Jan and myself just want to thank everyone...it is appreciated and reminds of why the Preserve is such a great community....it’s more than just buildings and landscaping, it’s the people that live here.



Subsequent to the annual meeting, a brief Board of Directors meeting was held in order to elect officers. The following officers were elected:

- | | |
|-----------------|--------------------|
| President | Mr. Ross Pascall |
| Vice President | Mr. Rick Saba |
| Secretary | Ms. Donald Sties |
| Treasurer | Ms. Marie Shiroma |
| Member at Large | Mr. Allen Morrison |

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