

***Sandpiper Cay Condominium Owners Association
Board of Directors Meeting
September 21, 2009***

The Sandpiper Cay Condominium Owners Association Board of Directors met on Monday, September 21, 2009 at Village Realty. Steve Kinnier, Pat Ambrose, Liz Puma and Tom Watkins were present. Linda Craig participated via telephone. Emily Lewis and Ansley Miller were present representing Village Realty. Owners representing seven units were present as well.

Mr. Kinnier welcomed everyone to the meeting and asked the Board, the members of Village Realty, and the owners introduce themselves.

Mr. Kinnier opened the meeting with an announcement that had previously been mailed to all owners. The announcement stated that the Association filed a Complaint in Dare County Superior Court against G. Douglas Seay, Susan Seay and Sandpiper Management, Inc. The filing of the Complaint was authorized by the Board of Directors at its meeting on August 17, 2009. A copy of the full Complaint has been posted on the Association website at www.SandpiperCay.org. Mr. Kinnier informed the owners that they may ask questions regarding the complaint, but at this time the Board does not know much more than what is stated in the Complaint. Mr. Kinnier noted that following the regular meeting, the Board will meet in Executive Session with legal counsel, but that they will be limited in the information that they can share with the owners about the case.

Mr. Kinnier opened the floor to owner comments.

Rueben Greene stated that he was pleased that the Complaint was very thorough and did a good job covering all the allegations.

Harry Gries asked if the units with delinquent accounts are rental units. Mr. Kinnier responded that he believes that the delinquent units are a combination of rental units, second homes and primary residences. Mr. Kinnier noted that if the previous property manager had placed timely liens on the delinquent units, the total amount owed on delinquent accounts would be much less. Some of these owners were able to refinance or take out second mortgages even though they had had a past due balance.

Jerry Harris asked if any of the owners with delinquent accounts are making payments. Mr. Kinnier replied that the Board is working with the delinquent owners who have responded on an individual basis. Some of these owners have not responded to any of the letters that have been sent.

Bella Reber stated that the pool needs more lounge chairs and a couple more tables. She also noted that grouting around the top tiles is coming out and needs to be redone. Mr. Kinnier asked Village Realty to put together a recommendation of what is needed at the pool and present it at the next meeting.

With there being no further comments from the owners Mr. Kinnier moved on to the approval of the Minutes from the meeting on August 17, 2009. On a motion by Ms. Ambrose and a second by Ms. Puma, the Minutes were approved as submitted.

Mr. Kinnier went over the Financial Reports. Mr. Kinnier informed the Board that he had put together three reports. The first was a 2009 Income and Expense report that he put together which ties back to Village Realty's reports.

The second was a projection of income and expenses through the end of the year. It is based on actual numbers for January through August and projected numbers for September through December. He noted

that based on the projections the Association should end the year well within the budget. The one unknown expense is the legal fees that the Association will incur through the end of the year. Based on the projections Mr. Kinnier stated that it looked like the Association would be able to replace three more roofs this year. He noted that he would be comfortable going ahead with two roof replacements and authorize the third roof before the end of the year unless there would be an unexpected expense.

Mr. Gries asked about the roof replacement and if the Board is using the same roofing company to replace all the roofs. Mr. Kinnier stated that Gallop Roofing has been doing the roof replacements. Mr. Gries asked if a discount was available. Ms. Miller stated that Gallop is giving a small discount. Mr. Kinnier noted that if the Association could commit to replacing multiple roofs, then a volume discount may be available but we are unable to commit to doing multiple roofs at one time. We are replacing the roofs as the money is available.

Mr. Greene asked how bad the roofs are and if the replacements could be put on hold. Mr. Kinnier replied that many of the roofs are in poor condition and are being replaced just before they fail. Mr. Watkins noted that Village Realty should include again in the newsletter that no one has permission to be on the roof other than people who are authorized by Village Realty. This could cause the warranty to be voided. Betty Peet asked about the exhaust and how the new roofs would help with the ventilation of the buildings. Ms. Lewis replied that as the roofs are replaced the attic space is being vented, which will help with the ventilation. Mr. Greene asked what the warranty is on the new roofs. Ms. Miller replied that a fifteen year labor and material warranty is provided. Mr. Greene asked if there are any other major projects that the Board is considering at this time. Mr. Kinnier replied that the exterior stairs are currently being replaced. He noted that the next major project following the roof replacements will be the replacement of the cedar shakes.

The third report that Mr. Kinnier handed out was a first draft of the 2010 Budget. Mr. Kinnier noted that the Board has until the November meeting to adopt a final 2010 budget. The draft of the Budget suggests a new monthly assessment of \$310, which is an increase of \$65 or 26% over the \$245 assessments in 2008 and 2009.

The important increases recommended in the 2010 draft budget are:

- The budget must set aside at least 10% of monthly assessments in a “lock box” that cannot be used for maintenance and repairs. This 10% level is needed in order for the community to get back in the good graces of FHA and VA. The draft budget places \$104,160 into the reserves “lockbox.”
- The Board would like to try to replace five roofs in 2010, compared to four in 2009. The draft budget sets aside \$160,000 for the five roofs in 2010.
- An amount needs to be set aside for legal fees, related to both the Complaint and follow-ups on delinquent accounts. The draft 2010 budget calls for \$42,000 of legal fees.
- A fund should be set aside in case one or more unit owners go bankrupt or there is lost access to their delinquent assessments. The assumption is that the increase in assessments will cause some financial hardship. The draft 2010 budget sets aside \$31,428 for this contingency. If it turns out that there is no loss on this item, then the funds can be diverted for an additional roof replacement.

All of the other line item changes in the draft 2010 budget are routine with normal expenses. Mr. Kinnier stated that he would rather have a monthly increase in dues versus having to do a special assessment. Ms.

Ambrose suggested getting bids for landscaping, irrigation and pest control to make sure that the Association is getting the best price possible. Mr. Kinnier agreed and asked Village Realty to get some bids on these three items.

Mr. Greene commented that a \$65 increase is a lot for people on a fixed income and this would create a lot of hardship on some of the owners. Mr. Kinnier again noted the reasons for the recommended increase. Mr. Watkins stated that this increase is not something that the Board is taking lightly and that it is a very difficult decision. Mr. Kinnier added that the Board has a fiduciary duty to act in the best interest of the Association and to make sure that an appropriate budget and monthly assessment is established. The Board does not want to have to increase the dues, but it is in the best interest of the Association to do so and the Board would be failing in their fiduciary duty by not increasing the dues. Mr. Kinnier then explained that the Board could adopt a 2010 dues amount of \$295 by cutting \$5 per unit per month for some landscaping and maintenance expenses and by cutting \$10 per unit per month by deferring one of the five roof replacements until 2011. He cautioned that any Board action to delay one of the roof replacements should not be made until after Gallop Roofing presents its recommendations (as discussed later in the meeting) to the Board at the November meeting.

Ms. Miller presented the Management Report. A letter from an owner requesting a basketball backboard and net in the tennis courts was included in the meeting packet. The Board agreed that the tennis courts are under utilized. Mr. Kinnier asked Village Realty to obtain the cost for putting up a basketball backboard and net in the tennis court area. He also asked Village Realty to research any possible damage that could occur as a result of playing basketball on the asphalt tennis courts.

The new mailboxes have been delivered and the post office has been contacted to install them.

Gallop Roofing has agreed to do a visual inspection of all the roofs and create a list of what roofs need replacing and in what order. They were supposed to start their inspections the week of September 14th, but have been delayed due to the rain. They will not be charging for the visual inspections. There is a more detailed report that they can do if the visual inspections are not sufficient. The cost for the detailed report is \$200-\$215 per building. The Board agreed that the visual inspections would be sufficient at this time.

Parking recommendation: Village Realty still recommends not assigning parking spaces. There were very few complaints regarding parking this summer and there is typically only a problem during the holiday weekends. Village Realty will continue to include parking reminders in the newsletter and work on parking issues on a case by case basis.

At the last meeting an owner asked if the Association could charge more for late fees and the Board asked Village Realty to let them know what the Bylaws say regarding late fees. The Bylaws state that "Any assessment, or installment thereof, not paid within ten (10) days after due shall accrue a late charge in the amount of ten dollars (\$10) per occurrence, or such other amount as may be established from time to time by the Board of Directors." Mr. Kinnier made a recommendation to increase the late fee from \$10 to \$25 effective January 2010. On a motion by Ms. Ambrose and a second by Ms. Puma, the Board agreed to increase the late fee to \$25 starting January 2010. Mr. Kinnier asked Village Realty to include this information in the next newsletter and to make sure that the 2010 coupons reflect the new amount.

Mr. Kinnier asked Ms. Miller if there has been a response on the automatic payment withdrawal option for dues. Ms. Miller replied that about a dozen owners have signed up for automatic withdraw. Mr. Kinnier asked to include this information in the next newsletter.

Ms. Miller presented the maintenance issues that have been completed since the last Board meeting. Ms. Ambrose asked about the termite damage that was repaired. She thought that Terminix would take care of the repairs. Ms. Miller replied that the Service Department has been making the repairs and she has been submitting a claim to Terminix for reimbursement. It was noted that they have paid for both labor and materials. Mr. Kinnier asked Village Realty to provide the Board with a report on the checks that have been received from Terminix showing what general ledger account the checks are in.

The next item on the agenda was the approval of the new Rules and Regulations. Mr. Kinnier noted two changes and then asked for a motion to approve the Rules and Regulations. The Board unanimously approved the new Rules and Regulations. Mr. Kinnier asked Village Realty to post the new document on the website and to include in the next newsletter that a new set of Rules and Regulations have been approved by the Board and that owners can obtain a copy on the website or by picking up a set at the office.

Mr. Kinnier discussed the upcoming election at the 2010 General Meeting. He stated that Pat Ambrose's seat on the Board will be up for election. Ms. Ambrose noted that she has not decided if she will run again. Mr. Kinnier asked Village Realty to come up with a proposed meeting date and place for the General Meeting to present at the next Board meeting. He also asked for an election committee to be established and to include information in the next newsletter that there is one Board seat available for anyone who is interested in running for the Board.

Ms. Reber gave a report for the Social Committee. She said that all of the summer events are over and there will be no more Bingo or covered dish suppers. The Social Committee will be holding a meeting in October to decide on the winter events. They have already discussed having another cookie exchange at Christmas and another patio sale in the early spring. She also wanted to again thank RC and Ruth Bosely for their help in redecorating the clubhouse and for the clock and pictures they donated. It was suggested that a "thank you" to the Bosely's be included in the next newsletter. Ms. Reber noted that the Social Committee was going to use the money that they made at the 4th of July cookout to put up window valances in the clubhouse.

The next Board meeting date was set for November 16, 2009 at 1:00pm at Village Realty.

With there being no further comments, Mr. Kinnier adjourned the meeting.

Following the regular meeting, the Board met in Executive Session with legal council John D. Leidy. No actions were taken.

Respectfully Submitted,

Ansley Miller
Assistant Property Manager