

**PALMETTO HALL PLANTATION OWNERS' ASSOCIATION
ANNUAL MEETING MINUTES
DECEMBER 3, 2009**

POA President Art Loeben called the meeting to order at 7:15 p.m. in the Palmetto Hall Clubhouse and welcomed those present. He stated the purpose of the meeting was to vote on a change in the covenant and elect two new members to the Board of Directors (BOD). POA Attorney Brian Pitts confirmed there was a quorum.

BOD members present at the head table were Bob Richardson, Vice President; Joe Bogacz, Treasurer; Rick Smith, Secretary; Ron Smetek, Scott Slawson and Tom Renshaw, Members-at-Large. Marion Gorczynski, Association Manager, was also present.

The 2008 Annual Meeting minutes, that had been sent to members in advance, were presented for approval. Fred McNamee made a motion to accept the minutes; John Grindstaff seconded the motion, approval was unanimous.

President's Comments

Airport Issues – Art advised the owners that the Town of HH had attempted to change the LMO to allow clear cutting where needed for the airport. The BOD sent a letter to the Town Council opposing this change and several members of the community attended a meeting of the Town Council to voice their opposition. Tom Peeples, Mayor of the Town of Hilton Head, revised his opinion on clear cutting after the meeting. The BOD stressed that they are good neighbors to the Airport and support any safety requirements.

Deer Culling – Art stated that the count had revealed only about ten deer could be removed from Palmetto Hall by culling. Although no final decision has been made, the BOD feels that since Hilton Head Plantation, and Indigo Run were culling; Palmetto Hall may be able to put it off until next year. He reported it is quite a costly project.

Capital Fund, Assessments, and Transfer Fee - Joe Bogacz, Treasurer, and Rich Miller and the Finance Committee did a great job on these issues. Joe will discuss these issues later in the meeting.

Heritage Golf Course Gates and Security Issues - Security has been breached regularly on the gates on the golf course. The BOD has taken steps to correct that situation and is working with Heritage to assure the golf course personnel do not leave the gates open. Art is planning to meet with Claude and Ray Dznowski on December 4, 2009 regarding this issue.

Communication to Members - Art said that in order to better communicate with owners the BOD has initiated a picnic, scheduled a Town Hall meeting, added to the Newsletter,

put issues on the web site, and sent many blasts. They also have planned a Spring Town Hall meeting in 2010.

Art then presented a **Resolution of Appreciation** to the two departing BOD members – Rick Smith and Tom Renshaw – and thanked them for their contributions over the past few years.

Art requested **Nominations from the Floor for the BOD**. There were none.

Bob Richardson made a motion to elect the following members for the Nomination Committee for 2010 – Rick Smith, Pete Smith, Ellie Pierce, Jim Ward, Gayle Fisher, and George Banino. Joe Bogacz seconded the motion.

Art then passed a clip board with volunteer opportunities for various committees 2010.

At this point, votes to be counted were collected from those present. The Nominating Committee went to an office to count the votes.

Brief Report from BOD Liaisons - Each liaison explained the function of the committee(s) he was liaison to and thanked the members of the committees for volunteer efforts and their support.

Art also thanked John Reda for handling the computer system in the office and at the guard house, and for the preparation of the newsletter.

Financial Report – Joe Bogacz reported that this has been a tough year financially but it was a generally good one for the POA. New construction is slowly starting which means that gate receipt income is up, while at the same time your committee heads have done a great job in restraining expenses during this tough year. Palmetto Hall BOD has been able to move \$40,000 of your money into the Capital Reserve account and, for the first time, the community balance is over \$800,000.

Before going into the numbers, there are a few general disclosures that have to be made.

1. This is our third year of managing our accounts in-house with QuickBooks and the result of that change continues to be positive. This transition has not only reduced our overall expense but has also greatly improved the quality of our financial information and made management of the POA much easier than before.
2. During the calendar year the report to the Board is on a cash basis, which improves everyone's understanding of our financial condition. Year end reports and tax preparation continues to be on an accrual basis.
3. In May of this year, our outside accountants Cherry, Bekaert & Holland completed their review of our books for 2008 and concluded that we are "... in conformity with generally accepted accounting principles." The full report is on the POA website on the Finance Committee page.

BALANCE SHEET

As of September 30 we had \$191,011 in our Operating Account, which is the money that we use to run the business of our community. Capital Reserve balance was \$801,625 and represents a holding of \$1,500 for every owner in Palmetto Hall. This is up \$45,576 from the end of last year which is a combination of \$30,000 in contributions plus \$15,576 in interest income. Earnings here are lower than we hoped for, but that is a reflection of worldwide depressed interest rates and it adversely affects Palmetto Hall. All of your investments are in federally insured CD's and a money market and our primary goal is capital preservation. No withdrawals from Capital Reserve were made during this year.

STATEMENT OF INCOME

INCOME –

Line I-101 Community Services Residential – will miss our Budget number by \$6,000 principally due to the bankruptcy of a builder which went under owing assessments on 4 lots and, a number of private owners are paying their assessments over time. Liens have been filed on 7 properties to protect the interests of the community but it is questionable if we will see 100 (or any) cents on the dollar.

Line I-103 Decal Income/Gate Receipts – We expect to fall \$10,000 short of our budget due to lower than expected new construction. For 2009 we budgeted income of \$100,000 and realized income of \$82,645 through September and we are looking at a full year number of \$90,000.

Line I-101 Community Services – Golf Course – We met the budget. This line displays the contribution Heritage makes to our community: specifically 36 holes at the full developed assessment.

These 3 lines equal about 90% of our community's total income.

EXPENSES

Line E-108 Grounds Maintenance – This is the Ocean Woods contract to maintain our common areas and plantings. Our forecast is to actually under spend by \$10,000 by year end.

Line E-109 Heritage Shared Maintenance – This is a contra account with line I-202 and balances out what we spend on shared maintenance items (repairs, utilities) on common areas with what Heritage reimburse us. Heritage is current on all items.

Lines E-201 & 202 Electricity and Water for Irrigation – In both cases our combined utilities are running about \$9,000 less than budgeted and the total utility forecast is less than last year's total actual. The savings on water is largely due to very wise spending on irrigation repairs.

Line E-401 Security/Roving Patrol – We will spend about \$4,000 less than our budget plan (and about \$16,000 less than last year's actual due in a small part to staffing changes) but Year 2009 Actual and Forecast is low due to a \$16,000 January accrual moving expense into last year.

Line E-501 Personnel – This will also come in about \$4,800 less than budgeted.

Line E-502 AM Office Expense – This expenditure represents office rent and utilities for the facility on Palmetto Parkway and will come in \$500 beneath plan.

Line E-901 Capital Reserve Transfers – At the beginning of the year we planned on a \$60,000 Capital Reserve contribution but we are able to only move \$40,000; primarily due to the shortfall in Decal Income (\$10,000); Residential Assessment Income (\$6,000) and lower than expected earnings on our Operating Account investments (\$4,000).

These 8 accounts equal a bit less than 90% of our community's operating expense.

EXPLANATORY COMMENTS TO 2010 BUDGET

This represents a 15% increase in assessments, but the Board knows we have to significantly ramp up our Capital Reserve levels to meet future road obligations.

INCOME –

Line I-101 Community Services Residential – As noted, the budget number includes a default on 4 lots and 3 homes.

Line I-103 Decal Income/Gate Receipts – For 2010 this is split into 2 individual accounts for better tracking and management: Decal Income (which are contractor purchased decals) and Gate Receipts (which are one-off transactions). Based on an uptick in home construction in 2009 we're looking at a modest increase in 2010 for a combined total of \$100,000.

Line I-101 Community Services – Golf Course –The contribution Heritage makes to our community: specifically 36 holes @ the developed assessment of \$1,200 for \$43,200.

These three lines equal about 90% of our community's total income.

EXPENSES –

Line E-108 Grounds Maintenance – This is the Ocean Woods contract to upkeep our common areas with maintenance and plantings. The 2010 budget number is based on the service contract plus an escalator for a total of \$113,640.

Line E-109 Heritage Shared Maintenance – This is a contra account with line I-202 and balances out what we spend on shared maintenance items (repairs, utilities) on common areas with what Heritage reimburse us. We have \$8,000 in both accounts.

Lines E-201 & 202 Electricity and Water for Irrigation – With utilities we’re looking at a 10% rate + usage increase over 2009 projection.

Line E-401 Security/Roving Patrol –Projected spending for 2010 is \$284,029 or about 5% above 2009’s year end projection.

Line E-501 Personnel – The Budget Team added a 5% overall salary increase (\$4,500) based on measureable goals plus \$5,500 for possible additional staffing needs

Line E-502 AM Office Expense –Office rent and utilities for the facility on Palmetto Parkway at \$17,500; virtually unchanged from 2009.

Line E-901 Capital Reserve Transfers – An increase in the 2010 contribution from \$40,000 to \$60,000.

These eight accounts equal a bit less than 90% of our community’s operating expense.

Transfer Fee Discussion – Ron Smetek presented information regarding the Transfer Fee that was being voted on during the meeting. He told the audience how important it was to have the money from this source to build up the capital reserve fund for the cost of the roads. He also explained the large amount of money still had to be kept in Capital Reserves for other problems that could arise. In other words, we could not use everything in the fund for road expenses.

Drawing of Prize for Survey Submissions – All those who had submitted surveys and included their names were put into a drawing for a \$100 gift certificate to Frankie Bones. Art asked Sandy Gillis to draw a name and Robbie Bunting was the winner.

General Questions/Comments from the Floor:

Dave Pierce said that he felt the deer culling this year is extremely important; that there are deer in his yard and all over the Plantation every night.

Rich Penwell said he did not necessarily agree with Ron on the cost of the roads or whether it is necessary to replace, and resurface all in one year. He felt it should be staged over three to four years, with the roads that get the most use or were oldest done first. Rich said that would be the most prudent way to handle the project. He said the real cost will not be known until Palmetto Hall requests bids and what pace they will need to be done at.

Bobby Allen suggested changing the beginning time for the curfew to 10:00 instead of midnight. He felt there were still many kids out between 10:00 – 12:00 midnight.

Ken Oliver said much more money will be needed when the roads are done and at the pace the capital reserves are growing, Palmetto Hall will either have to place a major

assessment on each owner or borrow a large amount of money. He urged the BOD to try the transfer fee and a special assessment again soon.

Bob Richardson stated all the capital expense money cannot be used for roads. We must keep approximately \$500,000 in reserve.

Bill Coleman questioned account E-501 due to all the workers unemployed in the State.

Rick Smith, Chairman of the Nominating Committee returned from the counting of votes. He thanked the candidates for running.

- He advised the newly-elected BOD members are Mark Anderson and Mike Danoff.
- He also advised that the Transfer Fee had failed. A 75% vote was needed and it received a 70.5% vote.

Art welcomed the two new members to the BOD and advised them the next meeting is December 18 at 7:30 a.m. at the POA office.

There being no further business, the meeting was adjourned at 8:45 p.m.

Rick Smith
Secretary