

MINUTES
FRIPP ISLAND PROPERTY OWNERS ASSOCIATION BOARD MEETING
February 17, 2007

PRESENT: Messrs. Hummer, Young, Davis, Gannon, Hunter, Mathews & Newby; Messrs. Buschur & Davison & Mrs. Cantley by phone.

GUEST: Jack Qualey, Esq.

1) Call to Order and Determine Presence of a Quorum of Directors: President Hummer called the meeting to order at 9:00 am. There was a quorum present.

2) Approve Minutes of January 10, 2007: The minutes of the January 10, 2007 Board meeting were approved as presented.

3) Discussion of Matters Deferred to this Meeting: Long Range Plan

Board members were asked previously to review the 2000 Long Range Plan in preparation for today's discussion. It was felt that most of the suggestions for change in the Plan have been accomplished including changing the governance of the Board, the new Bylaws, the creation of the General Manager position, the redefining of resident and non-resident Board members, and the expansion of the POA building. There has not been the increase in resident ownership as previously was predicted. The covenants committee is currently working on amending and restating covenants for a vote of the membership in 2009. A suggestion in the Long Range Plan to combine administrative services of the POA, the PSD and the Fripp Company has not been attempted.

ACTION: A new Long Range Planning Committee will be appointed. Members will be announced at next month's meeting.

4) Finance Committee Report: The Finance Committee reviewed the Replacement Reserve Study prepared by Miller Dodson Associates (dated January 2007), and made the following observations:

-- The Finance Committee feels the repair and maintenance assumptions used in the study are reasonable. The study is a best-guess scenario of reasonable repair and maintenance expenditures. The repair and maintenance assumptions appear to be reasonable, but we all recognize that actual results will vary from the projections.

-- The Finance Committee reviewed the financial assumptions used for the projections. Based on the assumptions used, the reserve fund does meet the projected expenditures over the next 30 years, but not with much margin for error. In 30 years (2036), the Reserve Fund year-end balance is projected to be \$3,355,053, which, when adjusted for inflation, will be lower than today's balance of approximately \$1,500,000. This scenario also requires a relatively high annual increase (5%) to adequately fund the Reserve Fund over the next 30 years. If expenditures are higher or income is lower, the Reserve Fund will be inadequate. Future generations of Fripp owners will be facing continued maintenance expenditures beyond the year 2036, with potentially very low reserves.

-- There are three ways to improve the financial outlook for the Replacement Reserve Fund:

1. Reduce or delay repair and maintenance expenditures.
2. Change the assessment mechanism to increase the contributions to the Reserve Fund.
3. Increase the long-term average rate of return on the Reserve Fund. (This can only be done with a careful development of an investment policy that is safe, realistic, and prudent. This investment policy must be within the statutory guidelines of the appropriate governing laws.)

Based upon a review of additional scenarios (dated December 29, 2006), the Finance Committee feels most comfortable with the scenario using the following financial assumptions: 7% Assumed rate of return on Reserve Fund, 5% Assumed rate of inflation on expenditures and 4% Assumed increase in annual Reserve contributions:

When compared with the original scenario, the above scenario recommends a more modest level of annual contributions to the Reserve Fund over the next 30 years while providing a higher projected year-end balance in the Reserve Fund in 2036.

The Finance Committee recommends to the Board the adoption of above scenario incorporated within the original Replacement Reserve Study, to be used as a guideline with no commitment to follow it verbatim. (The Reserve Study presented in Resolution 421 does incorporate this scenario).

To improve the probability of achieving the above results, the Finance Committee has established an Investment Subcommittee (Mrs. Beskow & Mr. Jentner) to develop an investment policy recommendation which conforms with the South Carolina Prudent Investors Act. Once approved by the Finance Committee, this investment policy will be presented to the Board for its review and approval later in 2007.

5) Report from General Manager Kate Hines:

i. Resolution 421: Adopt the Reserve Study

Purpose: To have a guideline that allows the POA to be able to incur costs as may be necessary to maintain, repair or replace all roads, bridges, buildings, crossovers, lagoons, bike paths, parks, and property on the Island owned by the Association.

Proposed Resolution: That the Fripp Island Property Owners Association adopt the Reserve Study dated January 2007.

Discussion: It was felt that the study fits in with the overall Long Range Plan, but there will be some blending of normal expenditures and maintenance. Roads Chair Bob Newby stated that the roads are significantly under funded in the Reserve Study, but that can be reviewed when the study is updated in two years. A key point is the change in investment policy that the Finance Committee may or may not recommend. Any rate of interest change may impact the formula used to calculate annual assessments. We will need an operating surplus of 250,000 for next year.

Motion: Motion approved.

ii. Resolution 422: Additional Funding for Crossover Repair

Purpose: To make repairs to all crossovers rather than replace crossovers 18 and 28 as originally budgeted.

Proposed Resolution: That the Fripp Island Property Owners Association approve an addition of \$7,500 for crossover repair.

Discussion: Assistant General Manager Tina Reeves walked every crossover with a marine dock specialist and prepared justification for repairs to additional crossovers. It was noted this is a prime example of how the Reserve Study is not written in stone, as this need was not planned for, but the need is there and we can save \$32,000 by implementing the repairs ahead of schedule.

Motion: Motion approved.

Miscellaneous: The right of entry disaster mitigation letters were mailed February 9th. We have received 10 checks so far and a zillion phone calls. The program is not mandatory – there was confusion about that. Also, lot owners were sent the same letters only as notice that we do have the program available for when they build in the future.

--The Community Centre requests permission to use POA's parking area during events. They also ask for written authorization to use the off street area on Tarpon Boulevard as needed. This request is made to comply with necessary vehicle counts for Beaufort County Zoning. **Motion:** Motion approved, a letter will be sent from President Hummer.

--Ballots for election will be mailed March 2nd.

Financial: Cherry Bekaert Holland has begun the 2006 audit. They should wrap everything up by next week and deliver the report in late March. The financials in the Board packets are unadjusted.

--General Fund: \$1,339,000; Cash reserves of \$2,039,000; Accounts receivable \$203,700

We are at 77% of budget for revenue and 6% of expense. We have collected 93% of 2007 assessments. REMINDER: If your assessment is not paid in full, you will not be able to vote in the election for directors.

--There were three property transfers in January.

Security: The next meeting is scheduled for Wednesday. Things have been relatively calm.

Grounds: We are in the process of trimming all palm trees. New plants (digitalis) that are hopefully deer-proof will be placed at the front of the Island. The plant has worked well at the Beach Club but has been gobbled up at Ocean Point.

Roads & Drainage: The Roads Committee has had two meetings, both concerning the widening project for Tarpon Boulevard. WSA, the engineering firm designing the project, came to Fripp on February 5th to walk the area beyond the Beach Club to see exactly where the increase in road width can be made. On the north end – between Skipjack and Beach Club, all widening will be towards the beach side of Tarpon. Final drawings should be presented to the committee next month.

--The committee also reviewed the Reserve Study and made several changes to the suggested replacement schedules, which have been incorporated into the final version approved today.

--Catch basins will be installed on drainage easements on South Tarpon next week.

--WSA did receive a preliminary approval for a temporary flap valve on Porpoise. We need more in writing from OCRM.

--The January rains have really made a mess of gravel roads – we have scheduled grading for early March.

Crossovers: Mrs. Hines distributed photos of crossover 21, which show how nice it looks with sand/ rope & post replacing the boardwalk.

Club Advisory Board: There was no January meeting. The next meeting will be Monday, February 19th.

PSD: PSD is still corresponding with SCDOT regarding the Inlet Bridge and whether they would be willing to take it over. Insurance rates for the Inlet Bridge increased from \$12,000 to \$42,000. It was noted in the meeting that customers are having a problem getting a plumber to tie their property into the sewer lines. It was also determined that at the time of completion of the third phase, those homeowners in phase 3 will have a time span of six months to tie in at the reduced rate.

Deer Program: HSUS will be here off and on thru March 5th.

6) Comments and Questions from Members:

(C) There are questions regarding the \$1,000 deposit for the right of entry agreements. It was suggested that the funds should be held in a separate interest bearing account. Also suggested that any interest earned should be returned to the individual making the deposit.

(A) Mr. Gannon stated that the deposit should be considered a reservation fee since the service is optional and the interest would cover administrative fees. Mr. Newby suggested that interest could be calculated twice a year and returned based on those dates. Mr. Hummer made the following observations:

- i) Participation for owners is purely voluntary, not mandatory.
- ii) The POA is offering a service to owners.
- iii) When thinking about the worst case scenario, P&J would be able to come to Fripp by barge to do initial cleanup if the Bridge is out if the Board approves the cost, but it will take a long time for individual contractors to get to the Island.
- iv) There will be significant administrative fees associated with the clean up of owners' property. This will be referred to the Finance Committee to work out further details, especially the creation of a separate fund for these deposits.

(C) There was a report of the February 14, 2007 DRT meeting which addressed the Preserve on Old House Creek and its 31-foot lots at the beginning of the Island across from River Club. The DRT noted this plan had been approved in 2005 but delays due to getting federal wetland permits prevented building at that time. To deny now in 2007 would be unfair. It was noted that the DRT is very willing to listen to residents.

(A) The POA will continue to be proactive in publishing DRT meeting schedules on the website and by push mail.

8) Statement of Matters Deferred to Next Meeting:

- Long Range Planning Committee members appointed
- Placement of Right of Entry Agreement funds and interest

9) Next Meeting: The next meeting is scheduled for Saturday, March 10 at 8:00 am. It was noted that the meeting time is an hour earlier than usual.

10) Vote to go into Executive Session to Discuss Legal Matters

11) Recess

12) Reconvene Regular Meeting; Announce Action taken in Executive Session:

Legal matters were discussed. The Board authorized its attorney to enter in negotiations with the Fripp Island Resort attorney regarding the Tower Lots.

13) Adjourn: The meeting was recessed at 9:45; Executive Session was adjourned at 11:00am.

Respectfully submitted,

Buck Mathews
Secretary

*Minutes are not the official record of proceedings until the Board of Directors has approved them at the following meeting. Please hold this draft until you pick up the next meeting's draft that will contain corrections as made and approved by the Board.

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