

“UNAPPROVED ANNUAL MEETING MINUTES”

BURNT STORE LAKES PROPERTY OWNERS ASSOCIATION, INC.

15500 BURNT STORE ROAD, UNIT #A-102

PUNTA GORDA, FL 33955-9214

ANNUAL MEETING

SATURDAY, OCTOBER 17, 2009

Held at the Burnt Store Presbyterian Church, 11330 Burnt Store Rd, Punta Gorda, FL 33955

President Jim Brown called the meeting to order at 9:40 a.m. The following Board members were present: Jim Brown, President; Rob Hancik, Vice President; Jim Thiel, Treasurer; Scott Pitser, Bob Lilley, Fred Boland and Marion Jinkens, Directors-at-Large. Sandy Funk, Secretary, (non-board member) was also present, as well as Celeste Midolo, Administrative Assistant.

Calling of the Roll and Certifying Proxies

The President asked the Secretary if there was a quorum. Sandy Funk responded that the roll was taken either through owner's statements mailed back to the Association or by member registration prior to the meeting. Each Owner's Statement was validated. The Limited Proxies were certified, and where so indicated, were assigned to the appropriate representative.

Proof of Notice or Waiver of Notice

The President stated that an Affidavit of Mailing showing that a copy of the Notice of Annual Meeting was mailed on September 14, 2009, to each of the Burnt Store Lakes property owners of record, and directed the Secretary to attach this as part of the Minutes of the Annual Meeting.

Reading and Disposal of Unapproved Minutes

A copy of the Association's October 18, 2008 Annual Meeting minutes were mailed to all property owners of record, and also made available at the registration table. The President asked if there were any additions or corrections to the minutes. There being none, Ralph Spolzino moved to approve the October 18, 2008 Annual Meeting Minutes as written. Carmen Comite seconded the motion. ***The motion was unanimously approved.***

Reports of Officers, Directors of Committees

President Jim Brown introduced the Board of Directors and Staff as they were seated and made some general comments regarding the state of the Association over the past fiscal year. Jim noted that due to the economic situation throughout the country, Burnt Store Lakes now has about 81 properties in foreclosure or bankruptcy with outstanding assessments at approximately \$22,000 (51 residences; 30 undeveloped lots). As a result of this situation, we are experiencing continuing problems with the developed properties, i.e., homes, in disrepair and in need of lawn maintenance. The Association has taken measures to maintain several of these developed properties—specifically lawn mowing—the cost of which is borne by all the property owners. Office staff makes a concerted effort to contact the bank to maintain the properties. The Board of Directors places these charges onto the account and then places a lien with the courthouse for those properties we maintain. These are recouped at the sale of the property along with any outstanding assessments. Jim further explained the procedures followed with property transfers, i.e., the POA maintains ownership record; POA receives an estoppel request from title

company; balance review is processed; acknowledgement form is provided (stating new property owner has received a copy of the Deed Restrictions); warranty deed is kept on record.

Jim then outlined the legal procedures we follow to collect past due assessments from those with outstanding balances. For example, due to attorney lien filings on 20 properties who were in arrears two years or more for a total owed in the amount of \$20,833, we collected 19,449.08. This amount includes recouped attorney's fees. An additional 19 properties in arrears two years or more still show an outstanding balance owed in the amount of \$14,362.83. The legal fees total \$4,954.82, which increases this amount to \$19,317.65. The next step is to foreclose on these liens. The cost to foreclose has been included as a separate line item in the proposed 2009-2010 budget. The legal fees will be recouped along with back assessments and interest at the time the property is sold.

Jim moved on to the accomplishments during the past year that included our continuing drainage program, the pavilion expansion in the park, roundabouts, and Cape Horn Entrance off Burnt Store Road.

Jim's next comments addressed enforcement of the Deed Restrictions (Community Standards). Jim outlined the steps and procedures taken by the Board and Office Staff when there is a violation reported by other residents or a Board member. Once a violation is observed/reported, staff confirms violation (in some cases photo), then an initial POA correspondence is sent with a timeframe for compliance established. If non-compliance continues, a second letter is sent with a second timeframe established. After 60 days, the violation is referred to the POA attorney whereby a certified letter is sent with a prescribed timeframe determined. If no resolution is achieved, the matter goes to mediation as mandated by Florida State Statute, and then a court ordered settlement if mediation fails. Jim noted that there is a waiver procedure to be followed in the event a property owner, for example, needs to load or unload a motor home in his driveway for a few days. The waiver allows a total of 21 days per calendar year with no more than 3-consecutive days. Usually, a telephone call to the office requesting a waiver is sufficient. Jim also stated that the Architectural Review Committee (ARC) is currently working on a suitable solution to the issue of trash container storage.

Jim noted that each director would report in detail about the status of projects under their various areas of responsibility as follows:

Architecture Review Committee (ARC): Fred Boland is the Board liaison for this committee. Fred introduced the committee chair, Peg Varga. Peg acknowledged the members of ARC— Sue Brown, Sean Howard, Bill Fruit, Joyce Punt, and Katie Mazzi. The ARC reviews construction plans, landscaping plans, and/or color schemes. The details are examined per the Deed Restrictions and Policies as well as Charlotte County requirements. The Board reviews ARC's recommendation and makes a final decision. Correspondence with approval or denial is provided to the property owner via office staff. Peg noted that 2005-2007 was a very active period in that approximately 60 homes were under construction. This growth has come to a halt with the current economy. However, the committee is still an important part of the community since approval is required if a property owner wishes to install a pool and cage, a fence, lake irrigation, equipment or trash can enclosures, or change in house colors/trim. As Jim mentioned earlier, Peg stated that ARC is actively working on a revised enclosure shield policy to address the trashcan storage issue. Peg emphasized also that a home is not considered complete until the landscaping has been installed in accordance with the plan submitted and that the property owner must maintain it. If not, it becomes a Deed Restriction violation. She pointed out that especially with today's housing market, it is important to maintain properties as it does affect our

property values. Peg stated that eventually new home construction will begin again in the Lakes and ARC will work with the property owners. That being said, the Deed Restrictions allow the POA to require a builder to post a performance bond to insure that the house is completed. Unfortunately, this is expensive for the buyer whereas the builder would pass on the cost of the bond to them. Therefore, the POA has instituted an Escrow Agreement in lieu of a performance bond, whereas the builder or homeowner places 10% of the permitted cost into an escrow account (usually with a title company), until a final certificate of occupancy is presented to the Board. Once this is received, the escrow monies are released in its entirety. We currently have a situation where a home is almost complete and has gone into foreclosure. Release of the funds to the POA can/will be utilized to maintain the outside of the house until the legal issues are settled. In conclusion, Peg reviewed the BSL building statistics noting that we are 25% built out (458 homes out of 2040 lots).

Beautification & Enhancement Committee: Rob Hancik reported that this committee consists of 10 members and is co-chaired by Ron Norsell and Bob Carlson. Rob recognized the members as follows: Jinx Carlson, Kay & Tom Chesney, Marion Jinkens, Bill Story, Flo Norsell, Judy Martens, and Rob Hancik. Rob noted the completion of the pavilion expansion in the Park. There has been interest in providing additional improvements in the park, i.e., water/sewer with restroom facilities, parking including area for the physically impaired, shell drive and walkways, and possibly a future site for a playground. With the approval of the Board, the services of a professional engineering firm were engaged to develop a Master Plan (Rob referred to the slide showing these various areas). The engineering is almost completed, and the permitting process has been started. Bids will be solicited as soon as the Board approves the Final Master Plan. It is possible that the project could be completed by the end of next year. Rob reported that the entranceway at Cape Horn and Burnt Store Road as been ongoing for the past three years. Currently, the County is ready to go out to bid for the landscaping, irrigation well, and street lighting (including electric)—funded through a landscaping grant and our MSBU (Municipal Services Benefit Unit). Rob stated that our new entrance sign has been installed, however, electrical service for lighting the sign, etc., has been delayed. The electrical services will be coordinated with the County project for the entranceway. Within the past two weeks, members of the MSBU Advisory Board met with the Director of Public Works, the Finance Director, County Engineer, and County MSBU representative to resolve the funding issues. As a result, it is conceivable that the project may be completed by the end of the year. Rob also reported that the Committee has about 70% completed reviewing new signage requirements (deed restricted community, alligators present, etc.). New wording will be submitted to legal as well as our insurance company to ensure their criteria are met. The goal is to replace the old signage and condense the wording on the signs to be placed at each of the nine (9) entrances.

MSBU Advisory Board: Rob Hancik explained The Municipal Service Benefit Unit non-ad valorem tax paid by property owners as necessary to fund various County/Burnt Store Lakes projects. Rob pointed out that County staff is overseeing our MSBU, which includes not only Burnt Store Lakes, but also Pirate Harbor and the Woodland Estates. In order to manage or “oversee” how the County spends our tax dollars, an Advisory Board was established by the County Commissioners and is comprised of 5 members—3 from Burnt Store Lakes and 2 from Pirate Harbor (Woodland Estates did not request membership representation). The Advisory Board questioned the expenditures shown on the financial report(s). It was determined that our funded projects (road repaving, roundabouts, recreational pathways, and Cape Horn entrance project), were paid back this year (after five years of a ten-year program). This resulted in a reduction in property owners (single family) taxes from \$186.46 to \$52.83—a significant savings. Out of the \$52.38, \$13.67 is allocated to routine maintenance of the signs and road repairs, etc. The balance will be going into an account that will accumulate over the next

several years for future road paving. This will reduce the need to increase the tax when it comes time to repave the roads.

Mechanical & Maintenance: Bob Lilley stated that the task of Mechanical & Maintenance is mainly to keep the drainage throughout the subdivision clear and keep greenbelts, vacant lots, and right of ways mowed. This year, the main emphasis was two-fold along Bear Branch Creek—the clean up of dead pine trees that were causing drainage issues and fire hazards, and trimming cabbage palms from Cape Horn over to the Park. Bob feels that it will be much easier to maintain that area for the next 5 to 8-9 years without any further tree removal/trimming—just mowing. With the dead tree removal and tree trimming, this area could be improved further for the use of golf carts, etc., without a lot of effort sometime in the future. Phase II of Bear Branch clean up was from Cape Horn westward to approximately Espana Circle. There were no major dead trees that required removal—mainly Brazilian pepper trees. Bob pointed out that nobody considers drainage to be an issue until it doesn't work; therefore it is important for us to do this maintenance work on a regular basis so that when storms occur the drainage will not be impaired. Bob reported that the Park was also cleaned up (palms trimmed, removed tree limbs from around the pavilion). Pushing the brush back expanded the usable area of the Park. The bank of Spoonbill Lake was trimmed. The entrance to the Park (at the gate) was also enhanced to improve safety access. Bob feels that the Beautification and Enhancement Committee can improve this area. The drainage swale from Stork Lake to Bear Branch was severely impaired and therefore cleaned out and should not have to be addressed for another 5-8 years. In conclusion, Bob noted that the greenbelts, vacant lots and County right of ways are mowed seven times a year, whereas the right of way along Cape Horn, Peppercorn, Vincent, and Santa Inez are mowed at least monthly—more often in the growing season. In the future, Bob hopes to coordinate the right of way mowing contracts.

Lakes Quality: Scott Pitser thanked all the members of the Lakes Committee for their very much-appreciated dedication and volunteerism. He asked that everyone please use your lakes. They are to be protected and non-resident use discouraged. He recognized Dave Prins for instituting the 'yellow sticker' program for vehicle identification. Scott moved on to the ongoing midge fly problem and explained its lifecycle. The problem persists in Heron Lake and Pelican Lake. The depth of Heron Lake is a major contributor, and the method of applying the larvacide was not reaching these depths. It is planned to use a "pellet" larvacide in the deep areas to control the midge fly. We will never be able to eliminate them completely. We are now beginning to see the effects on these two lakes with this type treatment. He also emphasized that the aeration system in seven of the eleven lakes increases the oxygen levels and asked for property owners to report any they see that are not functioning property. Aquatic Systems is very responsive and has repaired three at no charge to the Association. Fish were stocked in the lakes last year for the purpose of feeding on the midge fly larvae. The volunteer program of littoral plantings has realized success in many areas and some not. This is being evaluated. Littorals provide a safe haven for the larvae eating fish as well as improve the health of the lakes. Scott then reported on the recent fish kill in Ibis Lake. Aquatic Systems took samples of the water to determine the reason. It was caused by rain washing feces covered vegetation into the lake. There was insufficient rain to 'flush' it out of the lake, thereby severely reducing the oxygen levels and increasing the nitrogen levels—except around the aeration. Aquatic Systems provided four people and equipment for 2-1/2 days to clean up and bury thousands of dead fish at no cost to the Association. This occurred several years ago and the Board at that time cleaned up the vegetation on the islands during off-nesting season. This needs to be addressed again this coming year. Scott concluded by showing several slides of the wildlife, i.e., alligators, turtles, herons, egrets, ibis, ducks, hawks, eagles, otters and several species of fish.

Communications: Marion Jinkens recognized and thanked Steve Steidel who initiated the communications program, as we know it today. She stated that we have four (4) means of communicating with our property owners:

- (1) Resident Directory that is published once a year in July.
- (2) Newsletter, now published once a year and available on the website. May is the next addition and we will be for the first time soliciting ads from various businesses.
- (3) CIN Email Messages (Community Information Network). Marion recognized Sunny Martinek for her contributions to the community and noted that her communications are separate from the Association's CIN message system. The CIN messages consist of three areas:
 - a. Alerts for urgent messages, i.e., boil water notices.
 - b. Notifications for important but less urgent, and
 - c. Grapevines which are set aside for events and activities
- (4) BSLPOA Website. Marion stated the website is an ongoing work in progress. She outlined the different dropdown menus, contact information page and other links.

Marion noted that this past year 2 Alerts, 13 CIN Messages, and 3 Grapevine messages were sent out. She also asked that property owners notify the office if they change their email address or new property owners who are not yet listed. Lastly, Marion recognized the Welcoming Committee that is chaired by Libby Lilley with Andrea Millerschoen, Diane Strandburg, and Joycelyn Honan serving as members. She thanked Vickie Welsch and Joan Enright who recently 'retired' from the committee.

Safety & Preparedness: Fred Boland stated that the purpose of his area of responsibility is to make people more aware of any problems that we may have in the neighborhood with the goal of having total community involvement and awareness as well as being prepared. A seminar was held in the Park recently offering information on how to prepare for hurricanes. In order to assist in aiding those in need during a storm event, a skills assessment request was emailed to property owners who could offer their expertise in various areas—whether it is a certified skill or an uncertified skill. This resulted in a fairly large group of property owners, who volunteered their services as well as equipment including those with medical and EMT background, crisis management, mechanical, construction, carpentry, ham radio, pet rescue, etc. Fred also announced that an influenza clinic is being held in the Marina on October 28th. The flu clinic in the Lakes scheduled for 11/8 was cancelled. Fred reported on the status of the Neighborhood Watch program, mentioning that we experienced several burglaries during the building boom in 2004-05. Since then burglaries have dropped tremendously. However, about two weeks ago there were two reported incidents—one actual break in, one attempted break in. We have two Lee County deputies living in the Lakes who have been instrumental in keeping an eye out for incidences. Fred would also like to discourage solicitation of any kind in the Lakes. He then introduced Matt Butcosk, chair of the Neighborhood Watch. Matt stated there are presently 21 volunteers serving as our 'eyes and ears' of the community. They meet the first Tuesday of each month at 6:00 p.m. in the Park. In closing, he thanked all the volunteers and made a plea for more residents to sign up.

Long Range Planning: Jim Thiel stated that the task of the committee is to look into the future and visualize amenity enhancements that will improve and benefit our community. Once an item is identified, they proceed to research and investigate the feasibility of such. Jim thanked the committee members—Frank Bishop, Lauren Catalano, Bob Reichert, and Aimee Schneider for the many volunteer hours spent on various projects. The various items the committee has focused on over the past several months have included: park access improvement (eliminate need to access via Burnt Store Road), purchase and installation of a flagpole at the Cape Horn Entrance, purchase and installation of bike racks at the primary school bus stops in the Lakes.

The other two 'related' items investigated are the purchase and installation of playground equipment and review and recommendation for a BSLPOA insurance provider. With the increase in the number of children in the community, many people have been in favor of playground equipment. One of the obstacles is our current liability insurance provider would not cover playground equipment, and our insurance would actually be cancelled. The committee looked at other communities and County parks where play equipment is provided. As a result, the committee, and namely, Bob Reichert, spent hours and weeks conducting insurance interviews with competent companies and provided a cost analysis to the Board with the recommendation to change our insurance provider to one that will provide the desired coverage at a significant cost savings over our current carrier with additional coverage (including playground equipment). Jim publicly thanked Bob for this tremendous effort.

South Charlotte County Coalition (SCCC): Jim Brown stated that Burnt Store Lakes is a member of an ad hoc group of eleven (11) homeowner and property owner associations from the Peace River to the Lee County Line. One of the positive results obtained by the Coalition was successful negotiation in finalizing a cooperative agreement for fire and EMS services with the City of Cape Coral and Charlotte County, which has realized lower insurance rates for some of our residents. The Coalition also supported the Lakes in the initiative to keep the children in our community within the Sally Jones Elementary School district and not transferring them to East Elementary.

Jim Brown took the opportunity to thank ALL the volunteers in our community. He thanked the members of the Brazilian pepper tree removal team—Dale DeKraker, Paul Garrett, Ray Zink, and Carl Millerschoen. Jim provided the members present with some statistics on the number of volunteer hours of service—equivalent to 9400 hours or 5 full time people. Jim also thanked Ed Wrzesinski, Fred Boland, Warren Mezger, and Bill Welsch who worked on painting, plumbing, etc. in the new office, as well as artwork donations by Ella Wrzesinski and Ron Clark, and the efforts of Jim Thiel in obtaining all the used furniture from Century 21, and to Dawn and Marty Leeper who donated the table in the foyer.

Jim reviewed the reasons and advantages for mowing the vacant lots—it goes to fire hazard, aesthetics, preserving our wildlife, etc., which leads to preserving property values. He stated that there is only one class of membership according to our by-laws—therefore everyone contributes equally to the cost of mowing, whether it is an improved lot or vacant lot. He stated the cost per property owner is \$27.42 to mow a vacant lot (or \$3.92 for each of the 7 mowings). Jim proceeded by giving a history of the lot mowing since instituted in 1995-1996, as well as the agreement with Charlotte County to mow the right of ways (2001), which resulted in the County backing out the cost from our tax bill.

Jim addressed the background and reasons for moving the BSLPOA office to Madrid Blvd. He noted that the building we rented on Burnt Store Road was up for sale and we were on a month-to-month lease. Not knowing the outcome of that situation, negotiations were initiated over several months with the owner of Turtle Crossing. The cost per square foot plus the CAM (Common Area Maintenance) plus build out costs (\$20,000), far exceeded the costs to relocate the office to Madrid Blvd. Jim noted that Turtle Crossing is either in receivership or bank owned which leaves a question as to what effect it would have had on a lease between Turtle Crossing and the POA.

Jim then addressed the cost of the office staff. He outlined some of the skills required by both staff members. He noted the number of hours (202) spent just to send out 150 certified notices to property owners who were delinquent in paying their assessment that entails an 18-step

process. This cannot be done on a part-time basis. Jim did a cost comparison between the Marina that uses a management company vs. BSLPOA's two office personnel. He determined that BSLPOA is paying \$25,000 less per year than the Marina—noting that the Marina's management company is located in Fort Myers. Jim said that when you call BSLPOA's office you talk with our own staff, and not a management company that also services 40 other associations.

Financial Report

President Jim Brown introduced Geoffrey Lorah of the accounting firm Webb-Lorah & Company to provide an overview of the financial report of the fiscal year October 1, 2008 through September 30, 2009. Jim stated that Geoff and his dedicated staff have worked with Jim Thiel, our Treasurer, as well as the Office Staff in providing us with the best possible financial services available.

Geoff stated that a draft of the Statements of Revenues and Expenditures for this last fiscal year was available as a handout. He reported that there are two items that are not completely resolved—one being what the 'bad debt' will be with the foreclosures with uncollectible assessments. We are still getting information on the status of foreclosure lots. The other item is income tax. Due to the reduced interest income received, he does not foresee the Association having to pay income tax for the 2008-2009 fiscal year. In looking at the revenue section that is on an accrual basis, we are recognizing the revenue that was budgeted, however, not all of it was collected. Geoff then made a comparison of account receivables over the past four years as follows: At 9/30/06 accounts receivables were \$14,439; 9/30/07 at \$27,158; 9/30/08 at \$59,544; and 9/30/09 at \$67,091. This shows that the current economic conditions have significantly affected the collections of the Association. He reported that liens have been filed on all lots with outstanding balances; however this is not a guarantee that all the monies due will be realized.

There are two line items that show significant increases in the revenue section are interest income from assessments (interest charge on past due accounts), and lien filing and foreclosure fee income that is reimbursed to the Association when the account(s) is brought current. In looking at the Operating Expenses under Office/Administration, Geoff noted that as you run down the categories, the variances are relatively small but favorable—indicating the Association was able to stay within budget. One other historical note he reported is under Administrative Credits. These credits are realized from transfer fees when properties are sold, application fees for reviewing plans (i.e., houses, pools, fences). This fiscal year's credit only totaled \$3,230 compared to 9/30/08 at \$4,685, 9/30/07 at \$13,418, and 9/30/06 at \$29,300. These are all supplemental monies that have been significantly reduced, but eventually will reverse, however, not as quickly as we hope.

Under the Financial Services section, Geoff noted that \$5,000 was budgeted for an audit, however, the membership will vote today on whether to have a Review of the financials vs. an Audit. The cost of a Review is about one-third the cost of an Audit. Geoff then talked about the bad debt expense. There is a large variance (over expenditure) than budget due to the accounts receivable situation. The Legal Expense line items variances are favorable as were the line items under Maintenance of Lakes and Common Areas. He mentioned that the Association was very careful in their spending which is evident by the favorable variances.

Geoff moved onto the Reserve section of the financial report, stating there was \$99,240 funded for 2008-2009 with an additional receipt of \$7,200 in bank interest allocated to the Reserves.

The total expended out of the reserves was \$115,400. Overall, the amount of increase in net revenue was \$37,506 over the fiscal year.

Geoff stated that there were sufficient funds on hand as if 9/30/09 to continue operating through October 2009 and the beginning of November 2009 until the new budget is approved and revenues for the new fiscal year start coming in. In conclusion, Geoff noted that final Financial Statements would be available to the property owners upon completion of the Review by the independent accounting firm.

Geoff asked if there were any questions. Using the Lake line item, Bill Welsch stated he had difficulty extrapolating the information from one category to another, i.e., \$70,000 was budgeted in 2008-09 for Lakes Maintenance of which \$62,775 was expended; however, in the 2009-2010 budget, the Lakes Maintenance increased to \$122,000 that is a significant increase. Sandy Funk responded that Jim Thiel would explain when he presents the 2009-2010 budget; however, she noted that some of the Reserves in the previous budget were actually expenditures and therefore these were moved up into the Operating Budget.

President Jim Brown asked if there were any further questions related to the past fiscal year budget or matters of **Old Business** previously brought to the Annual Meeting and unfinished. There being none, President Jim Brown moved to the next Agenda item.

Announcements

Jim Brown called upon Karen Bishop. Karen announced that the Annual Burnt Store Lakes Dinner Dance would be held on Saturday, December 5th, at Portobello's in the Burnt Store Marina. Alex Alexandra will provide entertainment. Invitations are available in the back of the room and those not picked up today will be mailed.

New Business

Election of Inspectors of the Election

President Jim Brown informed the membership that the accounting firm of Webb-Lorah & Co. assisted with the validation of the Owners' Statements and the certification and tabulation of the Limited Proxies. President Brown stated that two employees, Sharon Pisano and Margie Almoslino were present to act as Inspectors of the Election. Ralph Spolzino moved to nominate Sharon Pisano and Margie Almoslino as Inspectors of the Election. Bob Reichert seconded the motion. ***The motion passed unanimously in favor of the nominations.***

Election of the Board of Directors

President Jim Brown indicated the next Agenda item is to elect three (3) new Directors. The Nominating Committee has proposed slate of six (6) candidates. Jim thanked the committee members for their efforts as follows: Sean Howard, Joyce Punt, Steve Steidel, and Terry Tattar. Jim Brown also served on the committee. The resumes of the six (6) candidates were mailed to property owners with the Annual Meeting documents, and copies were made available at the registration tables. President Brown asked that the nominees stand as their names were called. The candidates introduced were as follows: Stan Hochstadt, Gordon Quick, Robert Reichert, Amy Schneider, Margaret (Peg) Varga, and Mike Wiesenthal. Ralph Spolzino motioned to nominate the Slate of Directors designated by the Nominating Committee to serve 2-year terms, which may be followed by a second 2-year term, until their successors are elected

and shall qualify. Dennis Darcy seconded the motion. President Brown asked if there were any other nominations. There being none, the nominations were closed. ***The motion passed unanimously in favor of the slate of candidates.***

President Brown noted that the three (3) candidates having the greatest number of votes would serve as Directors for a 2-year term. He explained that each designated voting member or Owner's Representative who did not vote by Limited Proxy was given a ballot at registration. Ballots were completed and provided to the Inspectors of the Election for tabulation and voting was closed. While the Inspectors of the Election tabulated the votes, President Brown moved to the next item on the Agenda.

Consideration of the Budget and Carryover Funds

Jim stated the proposed budget was mailed to each property owner of record and copies were made available at the registration tables. Jim Thiel, Treasurer, assisted by Webb-Lorah & Co. presented the budget for the fiscal year 2009-2010. The Board of Directors endorsed the proposed budget and carryover at a posted Board of Directors meeting held on September 8, 2009, that called for an annual assessment of \$275.00 per lot.

Jim Thiel provided a history of assessments in Burnt Store Lakes and noted the increases as commensurate with the growth of the community since it was transferred over by the Developer to the Association in October 1992. He noted that in the 1990's a lot of emphasis was put on actual community improvements, and a good portion of the funds collected were not only expended on mowing, but also the eradication of Brazilian pepper trees. Also noted was an increase in 2004-2005 as a result of Hurricane Charley clean up efforts. Over the past few years, the Association has continued their emphasis on community improvements—including improving and maintaining the quality of our lakes, which is not an inexpensive endeavor.

Jim commended the Board and staff for their diligence in making sure the Association operates in the most financially conservative and progressive manner possible. He added that the information guidance and accounting resources that we receive from Webb-Lorah is unparalleled and we are very appreciative.

In reviewing the proposed budget for 2009-2010, Jim stated that many of the line items stayed the same as last year whereas some have increased due to anticipated expenditures. Additionally, there are new line items that are as a direct or indirect result of the climate we are living in today. He further stated that capital expenditures are generally regarded as those that are not the normal day-to-day expenses and are often a one-time expense. Many times they are planned for and budgeted over the course of several years. Jim stated that overall we are looking at an annual assessment increase this year of \$25.00. This equates to \$2.08 per property per month. This slight increase will insure that our Association will not only continue to maintain but improve our community as we move forward with the projects and amenities that will further enhance our community as a whole as well as the value of our individual properties.

Jim Brown asked if there were any questions on the proposed 2009-2010 budget. Dennis Gardner stated he has been in the Lakes for nine years, and that over the course of those years has recognized and appreciated the level of dedication and volunteer efforts. Any kind of issues that come up he likes to treat in a non-adversarial manner. He noted the third largest item on the budget was office staff salaries at an 11% increase and feels it is high considering the economic climate—even understanding the handling of foreclosures, etc. After hearing some of the reasons from various Board members, it seemed to carry some weight. He telephoned

Deep Creek POA that is five times larger with 2400 homes with three staff at a budget of \$81,000—pointing out the difference between Deep Creek’s staff expense budget vs. Burnt Store Lakes. He stated it only costs him \$10 a year or 3.50/lot times the three lots he owns. Mike Wiesenthal spoke about our By-Laws in that they state we conduct our affairs in accordance with Robert’s Rules of Order. He referred to what transpired at the July Board meeting where the Board motioned and seconded to keep the assessment at \$250.00, and then questions the action taken at the August Board meeting that reconsidered the assessment. He felt that this budget and assessment puts us in a legal situation where it cannot be voted on indicating it is null and void. He continued by saying that in order for a motion to be reconsidered, mention of that which was initially done (in July) should be stated (rescinded). At the August meeting, the Board approved the July minutes and he feels that made the minutes, the assessment, and the budget as voted on the will of the Board. He said that you could not do this in accordance with Robert’s Rules of Order. Jim Brown then recapped the decisions made on the budget and assessment at the July, August and September meetings. He further stated that if we are not going to vote on this budget, are we willing to expend the funds to conduct a mailing for the purpose of a new vote when considering an increase of only \$25.00. Jim stated that we are here to conduct the business of this Association, and that Robert’s Rules of Order is only a ‘guide’ in most Associations. After Mike read Section 7 of the By-laws that refers to Robert’s Rules of Order, Carmen Comite made a motion to suspend Robert’s Rules of Order in order to proceed with voting on the budget. The motion was seconded and the motion was passed by a majority vote of those in attendance. Ron Norsell asked if Robert’s Rules were not followed, was it intended or a simple omission. Jim Brown stated it was not intentional.

President Brown called for a motion to adopt the Proposed 2009-2010 Budget and Carryover of Funds for the fiscal year October 1, 2009 through September 30, 2010. Ralph Spolzino moved that the Proposed Budget and Carryover for the fiscal year 2009-2010 be accepted as presented. Carmen Comite seconded the motion. Each designated voting member or owner’s representative who did not vote by limited proxy was given a ballot when he registered—or has assigned his vote to another member. The Inspectors of Election collected the ballots for tabulation and voting was closed. President Brown moved to the next item on the Agenda.

Consideration of Waiver of Audit

President Brown explained that Florida State Statute provides guidelines for financial reporting requirements for Associations whose budget is in excess of \$400,000. An “audit” vs. a “financial review” of our year-end financial statements, is part of said requirements since our budget is in excess of \$400,000. However, in accordance with Florida State Statute, an audit may be waived and a financial review be performed if the majority of those members voting agree.

The Board of Directors has endorsed the waiving of an audit and that a review be performed. An independent firm—other than our Accountants, Webb Lorah & Co., conducts this review. Jim Brown stated that an audit is more detailed and is performed at about three times cost of a review. A property owner asked approximately what the cost for an audit would be. Jim responded by stating between \$8,000-\$10,000. Another property owner asked what the difference was between an audit and a review. A financial review consists of the independent auditor (other than Webb-Lorah) inquiring of the Association and its Accounting Firm in order to verify the financial records of the Association. Unless deemed necessary, the Accounting Firm is not required to obtain any independent corroboration to substantiate the records. However, as part of a certified audit, the auditor must obtain independent evidence to substantiate the assertions made by the Association and/or its Accounting Firm. Another property owner asked when an audit was last performed. Geoff Lorah stated it was done when the developer

transferred the operations to the Association in October 1992. Jim Morgan questioned how long an audit can be waived vs. a review or if there was there a time limit of any kind. Geoff responded that legislation has been passed concerning required audits for condominium associations (can only waive review twice out of 3 year period), but no legislation for homeowners or property owners associations unless required by their By-Laws. Beverly Mezger asked if we had a system of 'checks and balances' within the Association regarding access to funds. Jim Brown responded by stating requests are made by the Association Board and/or Association Manager to Webb-Lorah to prepare checks for various payments. The checks are forwarded to the President, Vice-President, or Treasurer (executive committee) for signature. Geoff further explained that both Webb-Lorah and the Association's executive committee verify authorization.

President Brown entertained a motion for a waiver of audit. Ralph Spolzino moved that an audit be waived in favor of a review for the 2008-2009 fiscal year financial statements with Charles Burgese seconding the motion. Each designated voting member of owner's representative who did not vote by limited proxy was given a ballot when he registered—or has assigned his vote to another member. The Inspectors of Election collected the ballots for tabulation and voting was closed. President Brown moved to the next item on the Agenda.

Other Business before the Board

There being no other business to come before the Board, Jim Brown moved to the next Agenda item.

Public Forum

A property owner inquired about the increased salary line item of the budget. Jim responded by stating the Association tries to stay competitive to retain our employees. The executive committee calculated an increase of 2.381%; however, the major increase was to bring our part-time employee to full time status (40 hours/week vs. 32 hours/week). Jim also noted that there are no benefits offered to the employees. Bob Reichert asked if the employees are required to have certain qualifications. Jim responded by stating they must be CAM (Community Association Management) licensed by the State of Florida with required continuing education (20 hours within each 2-year licensing period). Mike Wiesenthal asked what contingencies do we have for retirement, health or accident problems as far as replacement of staff is concerned. Jim stated that the staff members have outside insurance coverage, and that the new Board will be addressing leaves of absences, etc. Peg Varga stated that another reason Celeste is being brought on full time (not just due to the current workload), but to continue preparing Celeste to step in when Sandy eventually retires.

Rom Mattesich, Property Manager of Turtle Crossing, commented on his efforts to try and bring the Association's office to their facility. Richard Barbitto asked where the boat ramp was going to be placed (not yet determined), and Ron Norsell inquired as to how much has been spent to date on the project (\$1800 for an environmental study). Jim Morgan inquired about usage of the park and access by members (anyone may obtain the lock combination for a scheduled event as long as they notify the office for scheduling purposes). Karen Bishop inquired about access into Bear Branch Creek for kayaking.

Results of the Election of Directors and Approval of the Approved Budget

The Inspectors of the Election indicated that the results were tabulated and President Jim Brown requested the following elected Directors take a seat at the Director's table: Gordon Quick, Robert Reichert, and Margaret (Peg) Varga. Jim Brown congratulated the newly elected Directors and welcomed them to a 2-year term. President Brown thanked Stan Hochstadt, Amy Schneider and Mike Wiesenthal for their candidacy. Jim Brown further announced that the Proposed Budget and Carryover for fiscal year 2009-2010 was approved as presented, and the Waiver of Audit in favor of a Review for the 2008-2009 fiscal year financial statements was also approved.

Number of Units Eligible to Vote:	2061
Number of Units in Attendance	140
Number of Units Voting by Proxy	544
Number of Units Attending but Voted by Proxy:	<u>45</u>
Total Voting:	639

Director Election Results

<u>Name</u>	<u>Votes</u>	<u>Elected</u>
Margaret (Peg) Varga	436	Yes
Robert Reichert	412	Yes
Gordon Quick	337	Yes
Mike Wiesenthal	201	No
Stan Hochstadt	174	No
Aimee Schneider	156	No
Write-Ins	12	-

Proposed Budget and Carryover Results

	<u>Yes</u>	<u>No</u>
2009-2010 Budget Approved:	450	150
Carryover of Funds Approved:	544	57

Waiver of Audit Results

	<u>Yes</u>	<u>No</u>
Waiver of Audit in favor of a Review:	450	148

Jim Thiel took this opportunity to thank Jim Brown, Scott Pitser, and Rob Hancik for their dedicated service to the Board over the past four years.

President Jim Brown thanked everyone for attending the Annual Meeting and extended an invitation to join us at the Annual Meeting Picnic in the Park. He then requested a motion to adjourn the meeting. Ralph Spolzino moved to adjourn the meeting at 12:00 p.m. and was seconded by Carmen Comite. ***The motion passed unanimously.***

Respectively Submitted,

Sandy Funk, Secretary
To the Board of Directors

November 27, 2009