

YOUR SOURCE FOR IMPORTANT NEWS ABOUT FAIRFIELD HARBOUR

POA-BOD President Ann Simpson opened the final Informational Meeting at 7 pm, July 18. Present were Directors Wayne Strasbaugh, Dan Engelhaupt, Jim Cline, and Sharon Henke, BOD Treasurer Paul Hill, BOD Secretary Gloria Hodgert, Harbour Pointe Manager Dan Argentieri, and Attorney Laura Jones. Director Dan Engelhaupt began the meeting with these comments:

Friday evening, BB&T turned down our request for the loan of the \$2.75 M. The BOD is presently pursuing other sources of funding, including BB&T for a lesser amount, banks that specialize in loans to HOAs, golf course funding, and owner financing. No vote will occur on July 27 unless they know that the new loan, if there is one, will fit in the budget. Because alternate financing may take a bit more time to arrange, they are requesting an extension of the bankruptcy court's deadline, and may, if necessary, delay the vote for, possibly, as much as two weeks. The proxies will still be valid.

Dan next addressed what the BOD had determined were the most frequently asked questions:

Question: Are we still committed to the new gatehouses and gates? **Answer:** No.

Question: Won't a new buyer be bound by our covenants? **Answer:** No. The bankruptcy court has stripped those lands of any protective covenants.

Question: The present water and sewage treatment is sufficient only for the present development. How can a buyer, then, build anything on those properties? **Answer:** The buyer need only provide documents to prove that additional water and sewage treatment is needed to build a new treatment facility. (As Ms Hope pointed out at Wednesday's meeting, there's plenty of room for a new treatment facility.)

Question: Are there plans to immediately tear down the clubhouse, the cart barn, and fill in the pool? **Answer:** No. The expected excess funds will allow some improvements to be made, on a prioritized basis.

Question: Has Billy Casper Golf committed to extended management? **Answer:** Yes. If we are able to purchase the amenities, Billy Casper will commit to a ten year contract to manage the properties. In fact, they have offered to advocate on our behalf with lenders. That's how committed they are.

Question: Who can vote on the purchase? **Answer:** In elections, only property owners in good standing have been allowed to vote. However, because this is such an important decision for this community, the BOD decided that everyone, even those who had not paid their dues, should be a part of this decision. So, the answer is EVERY property owner has one vote for each property owned.

Laura Jones then conveyed Hope Carmichael's apologies and regrets for not being able to attend tonight's meeting. Ms Jones then reminded us that the amenities in question were planned to be an integral part of the community from the outset, but were never owned by the POA. Four parcels are considered MidSouth; both golf courses, clubhouse, marinas. They were sold to MidSouth in 2000. The amenities fees were later determined to be unenforceable. The covenants required the amenities be maintained to be comparable to the New Bern Country Club. MidSouth claimed they could not do so without the amenities fees. When the POA sued and won a judgment of \$1.45M (the amount

determined necessary to restore the amenities) against MidSouth for failure to maintain the properties, MidSouth declared bankruptcy in 2013.

Jack Shaw, member of MidSouth, LLC, holds a \$3M deed of trust. The opening auction bid, if we don't purchase the properties, will be \$3M. Jack Shaw can simply turn over his deed of trust/note and acquire the property. The sale to us, for \$2.75M that MidSouth agreed to, relies on financing and upon community approval .

The proxy meeting is still scheduled, but the Board is willing to adjourn the meeting until they can work the financing.

Other legal points; ability of association to purchase the property – Fairfield Harbour VS Drez (aka The Wainwright) decision stipulated that we could not use dues to purchase the property, but could use dues to maintain the property once it was ours. The purchase will be using revenues from golf course and marinas and other non-dues income to pay back the loan.

Board has done 5 year projection that \$100 *per year* increase in dues will cover maintenance and operation of property. Dues are projected to remain steady at \$898 per year for the five years.

Question: Assuming that POA is ultimately successful in obtaining property, at some point it may be put out for sale. Who will decide who the purchaser will be? **Answer:** Ms Jones – that ultimate decision rests with the Board. It is possible they could put surveys out to see what we want, but basically the POA Board would be the ones determining what is done with the property.

Question: What is the decision on the appeal of Judge's decision? **Answer:** Ms Jones – In March, Judge Humrickhouse, issued order stripping the protective covenants from the property. She felt the highest and best use of property would be something not encumbered by covenants. Whoever purchases the property will not have the obligation to maintain anything.

Judge Humrickhouse has also indicated she might strip other covenants from the property. Let's say we succeed with the appeal; the covenants would stay for next 7 years; but Exhibit "E" is set to expire in 2023 anyway. An appeal, even if successful, won't protect the property past 2023.

Question: (Property owner) has moved here from S Carolina, and has seen 20% decrease in property value, but why do people continue to blame MidSouth? There was a crash in 2008 which brought everything down 40% . Why is everything being blamed on the condition of the amenities?

Answer: Ms Jones; part of the reason for loss of value is the real estate agents. When they are looking at communities that are taken better care of, the realtors will take people there. When properties back up to Shoreline and prospective buyers see the mess, they go elsewhere.

A property owner offered a recent piece of evidence- He and his wife have their house on the market. Someone said they wanted to come and see the house. The prospective buyers called to visit; however, after they came into the community and saw the clubhouse and Shoreline golf course, they called and canceled because they didn't like what they saw.

Comment: A property owner asked the Board make arrangements to count the vote starting at 8 am in front of the whole community so everyone knows it is done properly. Economically, her dues will be more than her property tax next year. What will happen when golf course declines further? How will the repayment made without amenity fee?

Response: Ms Jones – the amount for 5 years is \$100 per year more than the regular projected dues of \$798. IF they default on the loan, the bank will probably take part of the property. No one's home will have a lien on it.

Question: Will this revenue stream that will repay the loan have enough money to pay the property taxes? **Answer:** Ms. Jones – yes, the property taxes are already part of the projected budget.

Question: When looked at purchasing years ago, we did a comparison with other communities with like amenities. What communities has the Board looked at now in comparison? **Answer:** Wayne Strausbaugh told the audience that a few years ago, he did a spreadsheet comparing TrentWoods, Taberna, Greenbrier, RiverBend, and Bridgeton. The spreadsheet will show the difference. If dues went up \$100 (based on a house valued at \$250K) New Bern would cost \$88 more than FH, Taberna would cost \$378 more than FH, Greenbriar \$153 more than FH. TrentWoods, and Rvier Bend are cheaper than ours, but that's because they are incorporated municipalities, and we turned down that option, remember?. Fairfield Harbour is doing better than the other communities, and the more expensive your house, the better off you are living in Fairfield Harbour.

Question: How old are the numbers that Wayne talked about? **Answer:** (Wayne) the spreadsheet was updated 2 weeks ago – he can update the numbers whenever necessary.

Question: Kudos and concern about people who work with MS numbers to try to get accurate numbers from them. Her experience with MS numbers is not positive. How confident are they with numbers? And is \$2.75M in writing? **Answer:** Ms Jones – the \$2.75M is in writing. **Answer:** Dan Argentieri – he saw the numbers and they are an exact match to the numbers that Billy Casper Golf gives to MidSouth.

Question: Mr Strausbaugh, do the communities that you compared us to – do they own the amenities? **Answer:** Wayne – Some do; some have none. Greenbrier has no amenities, River Bend doesn't.

Question: Statement about BB&T would not do whole loan – is it based on commercial appraisals? **Answer:** Ms Jones, they are uncomfortable that we cannot use dues as collateral. The deciding factor in denying the loan is we cannot use an assessment stream as collateral, which other communities are able to do.

Question: Will you clarify Jack Shaw and MS relationship? **Answer:** Ms Jones – MS is the owner of property. Since Jack Shaw is a principal and he decided to declare bankruptcy. Jack Shaw had personally guaranteed the loan to Wells Fargo, so he stepped in and assumed the loan.

Question: I live on Shoreline golf course. It sounds as though Jack Shaw is being treated like favored kid; however, he squandered the money, and it's his problem. We need to acquire the property.

Answer: There is a hearing for the purchase plan set for Sept. Any appeal would have to take place after the confirmation of the decision.

Comment: The \$100 is a static number. It is \$100 per year added to regular, budgeted dues. **Answer:** Wayne – Yes, budget for dues is \$898 per year for the next 5 years.

Question: We are going to take out a mortgage(loan) for \$2.75M for the golf course; why doesn't Billy Casper take out a loan and buy the golf course? **Answer:** Ms Jones – it is not JUST the golf course; it's for ALL 385 acres. **Answer:** Dan – If Billy Casper Golf owned the property, POA would not be able to use dues to maintain the property. **Answer:** Ms Jones And, then, you'd be right back where you are now. Someone else would own the properties. Is that what you want?

Question: If this is last meeting, how will we be able to learn what the terms of the loan are, to be able to vote intelligently? **Answer:** Ann – this information has just become known; we are still investigating. The BOD did not want to take the vote without the information from the bank.

This coming Wednesday, the BOD will discuss what they will do. They may have other meetings; it may be a brown box distribution; the BOD would like to avoid a mailing because it is very expensive. The BOD are using the FH-POA web site as much as possible. She cannot tell us what the next move will be.

Jim Cline – For anyone who is not on the web site, get on it to stay informed. <http://www.fh-poa.com/>

Question: Property owner lives on Pelican, close to cart barn which is a mess; we have been in distress since all has gone downhill. When we bought, we were assured that everything would be nice- nice country club, nice pool, nice tennis courts – and lawsuits took it away. Who says lawyers are going to do it right this time? **Answer:** Ms Jones – We are better lawyers. Keep in mind that any covenants that would be imposed now, would be by the POA. They write restrictive covenants, but the covenants here stood for quite a while before they went down.

Observations: One is that the 385 acres are an integral part of all the storm water system and drainage; we need control of that. Two is that if we look at collective property values of all homes, timeshare, condos, add it all together and average it , we have over \$300M worth of properties. So \$2.75 M is very little compared with all the rest of the value of the property.

Question: We can't compare with other cities; taxes are deductible; POA dues are not deductible. The \$100 won't pay off the loan. **Answer:** Ms Jones – You can chose whether or not to believe it, but budget is there.

Question: Going forward, once we purchase, what exactly are you going to do with the Country Club, pool, tennis courts? Did you say you would get rid of the golf course and turn that into walk space? What is the potential for properties? **Answer:** Ms Jones – the Shoreline golf course is defunct and will not be brought back as golf course. The Board has not determined what will happen to the club house and other properties. The Board is not position right now to make those decisions now.

Comment:– The property owner said the \$100 would be used to pay off the loan. That is NOT TRUE. The payoff would be made with non-dues revenue from Billy Casper Golf, the marinas, storage, lot mowing, sales of foreclosed properties, etc. The statement that MS didn't make money is doubtful; we paid amenity fees but the money did not go into the amenities. **Answer:** Ms Jones – the Board worked with the Billy Casper Golf when determining the budget.

Question: The assessment fee for maintaining the property – would that be used for Shoreline – would the properties there be maintained? **Answer:** Ms Jones – The budget is for maintenance and operations. **Question:** Would the clubhouse be maintained? **Answer:** Probably not.

Comment: What we might be able to do with Shoreline – he helped to write grants – there is money out there for communities that have golf that they developed with gov't money. Matching grants. We would get whatever monies based on assessments. The grants have historically been used for bike trails, pools, clubhouses, redeveloping land that is no longer used for golf courses. It didn't work 2 years ago because we didn't own it, and it must be open to the public. **Reply:** Ms Jones: – we have to get the property first; however, it is good information for board.

Question: We have had lot of discussion about \$100, and waterways and sewers. If we purchase; we would be able to do away with legal fees because we are paying lots of money to lawyers to protect us. How much more would we pay if we have to use lawsuits to protect our community? **Answer:** Ms Jones – that is on the summary that we would save legal fees if we get this settled.

Question:- Paul Hill came in to FHYC and said that one of the conditions the bank had was that when we took over the property, we would have to demolish the cart shed, the pool and the deck around the clubhouse. Is that true? **Clarification:** Paul; the BOD asked the insurance company to exclude those things (cart barn, pool, deck) in the appraisal for insurance. Those items are not in the budget for demolition; however, Paul there is a line item in the budget that could be applied for that demolition. There is also an allocation in this year's budget of \$75K that we could use, if necessary, with the Board's allocation of priority.

Question: Can we as residents have an extra assessment put to us for repairs, demolition, etc? Could we have a special assessment? **Answer:** No – the Board cannot make assessments at all.

Question: We cannot use fees for anything but operating? **Answer:** Ms Jones – it is an existing court opinion (Fairfield Harbour vs Drez), so we cannot get around it.

Question: The amenities don't seem to include the large marina at the end of Marina Way. **Answer:** It is privately owned not by MidSouth.

Question: How do the condos and townhouses vote? **Answer:** Gloria - Every property is sent a special meeting proxy mailer. Every condo, townhouse, and timeshare gets a proxy and a vote. Timeshares are voted by their association.

Question: Every property owner – if I own more than one piece of property, do I get more than one vote? **Answer:** Yes – every property gets a vote.

Question: There are implications for storm water and drainage; if we end up not owning the property, is there any way we can get control of that drainage system? What could we do to control that situation? **Answer:** Ms Jones – There are some easements for drainage, but the BOD has always had having trouble using them. The POA has some rights, but not all the ones it needs to do the best job possible.

Concern: If the property were sold to a developer; could the developer put up apartments and other structures which might not be kept up? **Answer:** Ms Jones – yes that could happen because there are no covenants

Question: Are the proxies being mailed to the homes or to the owners? **Answer:** Ms Jones – They are mailed to the owners.

Question: Would the amortization of the loan be paid by Billy Casper Golf? **Answer:** Ms Jones – It would be paid by revenues from the golf course and other non-dues income.
Ms Jones – Revenue from Harbour Pointe GC, Shoreline and Birdland Marinas are included

Question: With the loan arrangements still up in the air, could the real estate be used as collateral? **Answer:** Ms Jones – it is possible the real estate could be used as collateral. However, BB&T does not want to have property; they want a dues stream.

Question: Shoreline: Has the Board gotten bids to demolish the buildings? **Answer:** No.

Comment: It would improve the saleability of our homes if it could be demolished. People look at homes for sale and see that property and leave.

Answer: Paul Hill – The BOD has engineering companies working with them. Avolis Engineering told us the pool could not be recertified because the codes have since changed; it would cost \$175K to demolish.

Comment: Property owner lives 2 house away from pool and clubhouse; pool is awful; has seen teenagers playing in there and have seen people going in there at night. Could Craven County come in to secure that pool so that we don't have a tragic death of someone? **Answer:** Ms Jones – We are getting too far afield of what the meeting is about.

Question: Could they have the property as being collateral for a loan? **Answer:** Ms Jones – we have deeds of trust; the bank would have that, so if we default, the bank would have that to try to recoup their money.

Question: Are they still planning to have the vote on the 27th if we are not aware of the details of the money? **Answer:** Ms Jones – if all other options have been exhausted and there is no hope, there will be no meeting. If the Board is still working on getting the money, they can adjourn meeting for a couple of weeks until they can get the money.

Comment: Homeowner offers perspective: This is one of biggest decisions to be made in a long time.

Many years ago, the people didn't want the Community Center; they felt it wasn't needed. They didn't want to build a Firehouse even though it would help our insurance rate. People didn't want the Activities Building, although it is very heavily used. Yes, this purchase will cost us money, but life isn't free; the prior purchases were good investments in the community, then. We need to step up to the plate and purchase the property. (Applause)

Question: How was the \$2.75M figure determined? Were there negotiations? **Answer:** Ms Jones -- Yes

Question: Are the numbers available for the amenities for the last 5 years for the homeowners? **Answer:** Ms Jones – gross numbers are in the budget. Board did see the numbers, but they are not permitted to give out details.

Question: We can't know what kind of money they made? **Answer:** Paul Hill – the course is profitable, but we do not have to depend on that to repay the loan. The money coming in for non-dues for this year and in future years, is more than 2x the amount needed to repay the loan. **Answer:** Dan Argentieri– They have been operating the golf course in a deficit since Billy Casper took over. It is close to break even now (they will lose about \$16K in 2016) and the course is projected in 2017 to make money. It's growing very successfully. At the current rate there is no doubt it will be profitable.

Question: Is there asbestos in the building? If there is, \$175K is too low. **Answer:** Ms Jones – No plans yet for what will be done to the building.

Question - Has anyone looked at the timber value on the land?

Comment: Wayne Strausbaugh – One thing not mentioned is the very nice pool on the HP side.

Meeting adjourned at 8:30.