

**Foxcliff Estates South Homeowners Association, Inc.
Annual Membership Meeting
February 11, 2007**

Officers/Members Present: Chuck Molzon
Daymon Brodhacker
Mark Dice
Bruce Kohl

Guests: See attached list

The annual meeting of the Foxcliff Estates South Homeowners Association was conducted in the clubhouse on Sunday, February 11, 2007. President Chuck Molzon called the meeting to order at 1:07 p.m. In the absence of Secretary, Bob Altizer, Daymon Brodhacker was named acting Secretary.

The president welcomed all to the meeting. He then called for a motion to approve the meeting agenda. A motion was made by Dean Mayfield and seconded by Paul Myers to approve the agenda. By voice vote, the assembled unanimously approved the motion.

The president recognized David Huelster. Mr. Huelster made a motion and Lori Engle seconded, "to suspend the rules to modify the agenda at this time and insert an open forum for the members to discuss and debate any and all issues following the State of the Association address, and prior to the treasurer's report. Discussion ensued. Peggy Mayfield was recognized and moved that any open forum be after the election. A vote on the motion was called. 19 lot owners voted aye, by raised hand and 22 lot owners voted nay by raised hand. The motion was defeated.

President Molzon then delivered the State of the Association address. (Copy attached).

A Treasurer's Report was provided by Mark Dice. (Copy attached).

The election of the one Board of Director was conducted. Leo Mount and David Huelster were randomly selected and agreed to serve as ballot tellers to supplement the chief ballot teller, Rod Bray. Mr. Mount had to leave the ballot counting event prior to its conclusion. Mr. Tom Jamison was randomly selected and agreed to replace Mr. Mount.

Elected to the Board of Directors was Doug Garrison, having received 132 votes, with Larry Cordray receiving 33 votes. Mr. Molzon asked if there was anyone who wished to contest the outcome of the election. There was no contest and the election results were certified by the acting secretary, Daymon Brodhacker.

Mr. Molzon was presented with a donated gift certificate.

A motion was made by Daymon Brodhacker and seconded by David Huelster, to destroy the ballots. The motion was approved.

A motion was made by Doug Garrison and seconded by Debra Morrison to adjourn. The motion carried and the meeting adjourned.

Guests:

Name	Lot #
Sandra Brodhacker	641/644
John & Gloria Bunnell	955
Jim & Micky Holmberg	970/971
Phil & Betty Barchman	258
Marietta Wolfe	997
Jack & Debra Morrison	975
Tom & Bonnie Jamison	948
Sylvia Garrison	816
Bonnie Kohl	976/529
Paul W. Myers	577
Rodney Ennis	903
David & Michele Huelster	987/988
Leo Mount	723
Cheri Robertson	814
Doug Garrison	845/846
Brian & Julia Hoppel	964
Frank Mikszan	544
Edward Alexander	747
Mike & Sharon Goheen	989
Marlys Weis	954
Olga Wutsch	547
Donna Molzon	504
Mike & Lori Engle	670
Doris Calvert	530
Richard Neely	541
Dean & Peggy Mayfield	817/818
Kurt & Cindy Vogel	536/537
Craig Oleksy	234
John & Judy Rector	986
Mike Shipman	528A/B
Jim & Sharlyn Kindler	710
David McDougal	972
Dawn Kush	994
Calvin Kelly & Jennifer Tillman	675/676
Bill Nester	551
Larry Cordray	977
John Martin	854
Jeffrey Greer	821
Susan Fletcher	743/744
C.T. Barco	534/535

I would like to thank everyone for attending the annual membership meeting of Foxcliff Estates South. As a Board of Directors, we derive our authority to carry out the business of the Association not only from the Articles of Incorporation and other governing documents, but also from you, the members. As a homeowner's association, your participation at the annual meeting and providing inputs throughout the year help guide the Board in representing the best interests of the Association as a whole.

As my term serving on the Board is at an end, I would like to reflect for just a few moments on my tenure. Being on the Board was not something I actively sought. When, after just a few months, changes in my predecessor's job precluded him from devoting the time and energy necessary to be an effective Board member, he resigned and I was asked to serve. Following our governing documents, the existing Board elected me to fill the vacant Board position. I brought no personal agenda or even any specific goals to this position, just a willingness to serve our community as needed and to the best of my ability.

For the past three and one-half years I have been privileged to give something back to our Community by serving on the Board and, for the past two years, serving as its president. Having served twenty-four years of commissioned service in the United States Air Force, I brought some of that experience to the Board. In the Air Force I developed a strong belief in teamwork and that everyone on the team, regardless of personal opinions, should support team decisions once made. I also believe that one should know and follow the rules of an organization. If there are rules with which you do not agree or no longer meet the current needs of the organization, you should work to change the rules to meet new circumstances, but not ignore the ones with which you disagree.

I believe Board operating policies should be developed to ensure consistency between Boards as its membership changes. These policies should incorporate institutional knowledge about how and why things are done so succeeding Boards don't have to re-invent the wheel each year. The policies should ensure transparency and accountability of the Board to the membership. We adopted several policies over the past few years to try and do just that. With some exceptions, most Board members followed our self-governing policies. I believe such policies should be continued in the future and Board members should be held accountable to our own rules.

After being appointed to the Board, my objectives became to preserve the fiscal strength of our Association, to make incremental improvements in our Association, and to maintain our reputation as one of the premier places to live in Morgan County.

Building on the foundation laid by previous Boards, we have been largely successful in continuing to meet the first objective. A comprehensive plan was developed to devise and fully fund reserve accounts for long term capital expenditures. This and previous Boards' policy has been to operate on a "pay as you go" philosophy and to avoid any debt. The Capital Asset Management Plan allows flexibility to adjust deposits and expenditures to meet changing circumstances. In 2006 we completed the last phase of repaving all of our roads. Due to prior long-term fiscal planning, we were able to do this one year ahead of schedule -- with no special assessment or dues increase.

Even with some unanticipated expenditures; due to conservative budgeting, prudent spending, unanticipated savings, and other circumstances; we were able to end 2006 with a larger cash balance than anticipated. It should be noted, even with some unexpected income and increased costs in certain areas, our increased cash balance is less than the 2006 dues increase. This will allow us to complete some projects in 2007 that were programmed but not accomplished in 2006. We will also be able to meet some unforeseen needs, such as the repair of the west entryway sign, with no immediate fiscal impact to the membership. A strong fiscal position with adequate reserves to meet future capital expenditures enhances the value of all of our properties. I would encourage the membership to insist that past and

current Board policy of building adequate reserves for future expenditures and avoiding debt be continued.

Over my tenure on the Board and during this past year we have made some incremental improvements to our Association. As noted, we completed the road-repaving project. We took some steps to improve the appearance of the landscaping around the Clubhouse and entryway signs. We have solicited and received bids to install a keyless entry system for our Clubhouse --allowing more members to use the facility and its amenities. We have also received a bid to repair the exterior of the Clubhouse and thus protect this valuable asset. While we have not been as successful as we had hoped in getting things done, due to some unnecessary distractions, we have maintained our common areas in good repair, ensured that our roadways are cleared of snow and ice, and ensured the business of the Association is conducted in a fiscally responsible manner.

As reported at last year's annual meeting, a Board member had been removed for cause and a new member appointed in accordance with our governing documents. The hope was that we could then concentrate the Board's energy on conducting the affairs of the Association. Unfortunately, this did not turn out to be the case. A petition was circulated amongst some members of the Association seeking a special meeting to selectively and individually remove each serving Board member and hold an immediate election to replace any removed Board member. After consulting with our Association attorney, we determined that, while a special meeting could be held, the requested actions violated the Association's governing documents as well as Indiana code. This information was relayed to the originators of the petition who did not agree with our Association's attorney. A last attempt was made by the Board to find any common ground that could resolve this issue without costly litigation. The response by the originators of the petition was a demanded injunction to force the special election and have the Association pay all of the plaintiff's legal costs.

With Association costs mounting and the demand for the Association and Board members, individually and collectively, to pay the plaintiff's legal cost, our insurance carrier was brought into the equation. Their attorneys agreed with the Association counsel's opinion and took the lead, requesting a dismissal of the complaint. A hearing was held in mid January. At the end of January Judge Burnham issued his ruling granting the plaintiffs request for a special meeting but specifically saying the meeting may not be for the purpose demanded in the petition, having special elections to remove and replace Board members. We are in contact with the plaintiff's attorney and awaiting their response.

This whole incident has been time consuming and costly. Board members are volunteers with limited time and energy to devote to serving on the Board. Spending time, energy, and your money on these types of suits precludes us from serving the community as we should. The Board never wanted confrontation. The judge has ruled. Let's put this distasteful affair behind us so we can concentrate on what is important.

There are some very large issues that should be addressed by the Board and community, ones that will decide the direction of this Association for years to come. First among them is the issues surrounding water drainage. Much of the area surrounding Foxcliff South; the golf course to the north, the development to the north and west, Fox Run to the west, and much of Foxcliff South itself, all drains to one point near the corner of Norwich and Sunderland. Changing water flow patterns, due to construction of homes and other developments, are causing erosion problems along some of our roads. Your 2007 Board will need to take action.

How the Association addresses these issues raises a fundamental question, "Who is responsible?" Some would argue that the Association is responsible to maintain all drainage ditches, waterways, ponds, and lakes regardless of where located -- in FESHA common areas, on private property in an easement, or on private property outside an easement. Others would counter that each individual is responsible to maintain their own private property with the Association responsible only for platted common areas. How the Association answers this fundamental question will have a large impact on our financial liability for years to come.

Just prior to the January Board meeting, the Board received an \$18650 proposal for a flood control and drainage feasibility analysis. This study plan does not address some of the immediate erosion problems along some of our roads. Our entryway signs are clearly in need of repair or replacement. With the west entryway sign falling apart, perhaps we as an Association should resurrect previous studies on refurbishing our entryways. What kind of projects should we consider to improve the quality of life for our residents? These are the issues the Board should consider and take action on instead of being distracted by lawsuits demanding Board member removal for unstated reasons.

I would urge each resident to be involved in Association activities, whether in social activities, providing inputs to the Board of Directors, or serving on Association committees. I would also urge you to let the Board do its job. It always takes a majority of the Board to take action. While you personally may not agree with a particular decision, collectively the Board is working in what they feel is the best interest of the community as a whole. As volunteers, they do not have unlimited time and energy to spend and they should be allowed to do their jobs without wasting resources on second guessing, malicious, baseless criminal investigations, or threats of lawsuits. For those few individuals who have been doing these things, we need to tell them, "Enough is enough, it's time to stop these hurtful antics." We need to work together and restore Foxcliff South's reputation as an inclusive community.

In conclusion, while we are working through some troubling times, your Association is in good shape. We are an Association that is meeting the needs of its members. Our streets are plowed, our grass is cut, and our pool and tennis courts are well maintained. We are fiscally sound, well-managed, debt free, and with solid plans for the future. This is an Association and community we should be proud of. Thank you for letting me serve as the president of our Association and please support the incoming Board.

FESHA
2006 Treasurer's Report
Presented on February 11, 2007

This report serves as a supplement to the 2006 reviewed financial statements and related footnotes. Homeowners not attending the annual meeting, may obtain a copy of the financial statements by calling Carolyn at the clubhouse or visiting the association's website.

2006 Operating Results Compared to Budget:

Total revenue of \$199,740 was slightly higher than budget due to increased interest income partially offset by approximately \$4000 of unpaid lot dues.

No operating expense categories were significantly over budget. Clubhouse expenses were approx. \$5,000 under budget due to a delay in the purchase of a keyless entry system. Roads, Lakes and Common Areas expenses were approximately \$8,000 under budget due to low snow removal costs.

2006 Operating Results compared to 2005 Results:

Total revenue was approximately \$15,000 higher than 2005 due to increased lot dues and interest income partially offset by decreased office rental and road usage fee income.

All major operating expense categories in 2006 were very comparable to 2005. Professional fees were approximately \$4,000 higher primarily due to increased accounting fees for the 2005 annual audit paid in 2006.

In 2006, \$38,715 of planned road paving costs were incurred. Funds for this expenditure were taken from the designated cash reserves.

Designated and Undesignated Cash Balances:

Designated cash reserves increased \$53,114 in 2006. As noted above, funds of \$38,715 were expended on road paving. Thus, reserves were increased by a net \$14,399 resulting in total designated cash balances of \$150,760 at December 31, 2006. This increase is approximately \$3,000 higher than budgeted.

In 2006, excluding cash held for construction bonds, total undesignated cash balances increased from \$24,199 to \$42,022. This increase occurred because of the favorable operating income and expense variances from budget described above.