

ANNUAL MEETING MINUTES
February 12, 2006

Officer and Directors Present:	Chuck Molzon Calvin Kelly Daymon Brodhacker Bruce Kohl
Association Manager	Carolyn Holland
Legal Council	Rod Bray
Guest/Members	Listed on back page

Meeting called to order at 1:00 p.m.

Agenda was announced as published.

Chuck Molzon presented a status of the association message, see attached file.

Calvin Kelly presented a financial status report, see attached file.

Bruce Kohl was asked to perform the duties of the Corporation Secretary, as Mr. Altizer was unable to attend the meeting for medical reasons. Mr. Kohl accepted the responsibility. Chuck Molzon explained the changes to the voting process for the 2006 election. Chuck Molzon noted that a ballot had been received via fax. A motion was made by Calvin Kelly and seconded by Bruce Kohl to accept the ballot as valid. The question was put to the assembled members. The motion failed and the ballot declared invalid. Chuck Molzon noted that a member had, via notarized statement, granted a proxy to another member. A copy of the notarized proxy was attached to each ballot and placed in a sealed envelope. A motion was made by Calvin Kelly and seconded by Bruce Kohl to accept the ballots as valid. The question was put to the assembled members. The motion carried and the ballots declared valid. In accordance with the approved process, two members were selected at random (Mr. Paul Myers and Mr. Stan Sadler) to act as assistant tellers to work with Mr. Rod Bray to validate and count ballots. Ballots were provided to members wishing to vote at the membership meeting and collected by the tellers. The meeting was recessed to allow the tellers to complete the ballot count. After the tellers completed the count the meeting was called back to order. The tellers reported to the assembly the vote as follows:

Total votes cast: 183
Number of votes invalid: 3
Votes needed for election: 92
Votes for Mr. Dice: 105
Votes for Mr. Mayberry: 78

Based on the votes, Mr. Dice was elected to the Board. There were no challenges to the election and the vote was certified.

The annual membership meeting was adjourned at 3:05 p.m.

President's Annual Report – Chuck Molzon

I would like to thank everyone who has taken the time to attend our Annual Membership meeting. This is your Association, one in which we hope you take some pride and actively participate. Your Board of Directors tries to serve your interests, and the more input we have from you, the membership, the better able we are to serve.

I truly believe this is a special neighborhood, with many exceptional residents and attributes. We are blessed with wonderful amenities; our pool, tennis courts, Clubhouse, lakes, and green spaces. Our neighbors, Foxcliff Golf Club and Foxcliff Estates North, add to our quality of life as well as our property values. We are ideally situated in a quite rural setting between the cultural and academic atmosphere of Bloomington and Indianapolis, the economic, government, and sports center of our State. Planning continues for building I-69 adjacent to our community. This will bring opportunities and also potentially some problems. Regardless of our personal opinion about the interstate, we should continue to work to maximize any positive impact and minimize any negative impact if or when the roadway is built.

The development to our west, Fox Run, has undergone some changes, but building there is slowly continuing. There is a new development proposed to our east that will include single-family custom-built homes. Each of these will compete with Foxcliff South for quality neighbors and we should do our best to ensure our reputation as an excellent community is enhanced.

This has been a mixed year for Foxcliff South and for your Board of Directors. There was a challenge to the legitimacy of the 2005 election. No evidence was presented substantiating these claims. Striving to look forward, make improvements for the future, and to preclude even the possibility or appearance of any impropriety, your Board of Directors adopted a written policy for conducting elections. We are now engaged in the first use of that improved process, with distinctive ballots returned in sealed envelopes to a secured ballot box. We will be using three tellers to count ballots and verify the count. These steps should alleviate any concerns raised by last year's challenge.

There was an allegation that your Board had allowed a hostile work environment to evolve. This was thoroughly investigated by an independent, impartial third party. The investigator offered the opinion that the work environment had significantly changed from previous years. However, the level of any issues raised was not severe or pervasive enough to meet the legal definition of a hostile work environment. We took steps to delineate lines of supervision to preclude or minimize any potential future conflicts.

There were several instances throughout this past year that ultimately lead a three-fourths majority of the Board to reach the conclusion that we needed to remove one of the Directors for cause. It is extremely unfortunate that this series of events occurred, but your Board felt taking this action was in the best interest of the Association. On several past occasions, public thanks were given for the time, effort and quality results obtained through this member's volunteerism. Both personally, and on behalf of the Board and community, this appreciation is again extended. Your Board has chosen, in accordance with our By-laws, an individual to fill the resulting vacancy. Daymon Brodhacker brings prior experience as a Board member and past president of this Association. He is a welcome addition to the Board. Thank-you Daymon, for being willing to serve.

This past year has been unprecedented with the level of building activity. If you feel we have been living in one large construction site, you are not far off. In the past year we have had more than twenty homes in various stages of construction. This represents a growth of about ten percent in the number of homes in our community. Some were nearing completion at the end of last year; others were started during the course of the year. We still have eleven homes still under active construction, many nearing completion. Others are essentially complete but still must finish primary landscaping in the Spring.

With this extraordinary level of activity, there has been a lot of a workers and heavy truck traffic on our roads and in our neighborhood. This has resulted in some damage to yards and the right of way along our roads. Where the responsible party causing the damage can be identified, we will have that builder or owner make repairs. For other areas we will find money in the budget to make required repairs. While this has been a trying time for many, in the end we will have more quality homes, more good neighbors, and continuing testimony that Foxcliff South is a vibrant growing community and a good place to live, raise a family, or retire.

In previous years we had identified a problem with drainage issues along Southampton Drive, Norwich Place, and Sunderland Drive that resulted in water pooling beside the roadway. We allocated money to conduct an engineering study to identify potential solutions and help preserve the integrity of the roadways. A torrential rain in late September resulted in flooding of some homes and pointed out other drainage problems. As the surrounding area develops, the amount and speed of water run-off has changed. Over time, some of the ditches on either Foxcliff or private property have become clogged with underbrush.

We have created a Drainage Committee to identify and prioritize the problem areas and potential solutions, both near-term and long term. Some issues, such as the eastern portion of Foxcliff South being essentially flat, do not lend themselves to easy solutions. I will propose that we use the previously allocated drainage study money to complete an engineering study for the areas that are identified as most in need of correction. We will most likely need to use a phased approach to solve these many interrelated problems. Each of us can help out by making sure that any ditches, swales, culverts, etc., on our own property are cleaned out, properly sloped, and allow free passage of water.

This past year we have had several instances of vandalism. Some, such as toilet papering yards or saran wrapping mailboxes, may be thought of as harmless pranks. They are not. Others, such as throwing rocks through windows or attempted car theft, present a real danger to our neighbors. Regardless of the severity, vandalism is vandalism and should be unequivocally condemned.

If all of us do not seek out the vandals and put a stop to these senseless acts, we run the risk of getting a reputation as an easy target. In the past we had a more active Neighborhood Watch program. I urge you to sign up as a member of this program. We have several members of law enforcement that live in our neighborhood, which may be able to provide some professional advice. By taking normal precautions and working together we can reverse this disturbing trend.

For the year 2006, your Board voted to increase our dues from Four-hundred to Four-hundred and fifty dollars per year. This action was not taken lightly or without considerable thought. Original budget submissions in August would have resulted in a deficit of approximately forty-five thousand dollars and required a dues increase of about One-hundred and twelve dollars. The Fifty-dollar dues increase for 2006 represents the first increase in dues to pay for operating expenses since the year 2000. Currently, we have fewer dues paying lots and more common areas to maintain than in 1985. Inflating 1985 dues to current year, each lot owner is paying about seventy-five dollars more in dues per year. With this additional seventy-five dollars we are putting over One-hundred and twenty dollars into our reserve accounts, maintaining more common areas, and funding required upgrades to our infrastructure. I think properly funded reserve accounts are one of the real assets of our community.

Your Association currently carries no debt. The Board of Directors is trying to forecast well into the future and save for anticipated expenses. Recently, over a period of three years, we repaved most of our roads, at a cost of over Three-hundred and fifty thousand dollars without incurring any debt. We know we will need to repave in the future and that the cost will go up. Our options are to save now, and earn interest on our money; or in the future saddle ourselves with either imposing a huge special assessment or going into debt and paying interest on the borrowed

money. Having adequate reserves and a sound plan to build required reserves makes any community a more desirable place to live and improves every homeowner's property value. This is a policy that just makes sense and is a measure of success.

Over the past year we have had several success stories. After much delay, we have finally installed a new sign outside our Clubhouse. People will no longer think that it is either "For Sale" or a real estate office. Hopefully, in the very near future we will have high-speed wireless Internet access available in our neighborhood.

We have many new volunteers working on our Drainage Committee, the Garden Club, Social Committee, and Building Control Committees, among others. It is the volunteers that make this Association work. Without them, we could not do many of the things that we do, or we would pay a lot of money to do many of the things we take for granted. The only reward these individuals get is our thanks, so let's be generous with that.

I extend my own personal thanks to Calvin Kelly for the time and expertise he has donated to our Association over the past five years. Serving as both Treasurer and President, he is largely responsible for building a long-term plan to ensure the financial health of your Association.

In conclusion, over this past year we have faced many hurdles and distractions. We have worked to find solutions to these problems and to create means for working better in the future. The feedback and input the Board receives from you, the membership, is absolutely vital in allowing us to better serve you. Building continues at a rapid pace, testimony that Foxcliff South is a desirable place to live. We have and continue to take positive steps to preserve and enhance our infrastructure. We are financially healthy and are executing a solid, long-term plan to preserve our strong financial position. We have many volunteers that are giving of their time and talents to make this an even better community in which to live. These are all indicators of a successful, healthy homeowner's association.

Thank-you to each and every Foxcliff member who has attended this Annual Membership Meeting. The Board wishes all of you a safe and prosperous 2006.

FOXCLIFF ESTATES SOUTH HOMEOWNERS ASSOCIATION
Annual Meeting February 12, 2006
Treasurer's Report
For the Year Ended December 31, 2005

Calendar Year 2005 was my fifth and final year on the Board of Directors and my fourth year as the Foxcliff Estates South Homeowners Association (FESHA) Treasurer. In that role I provide you with this summary of key financial activity during the past year. For those who are not aware, including new residents in the community, I note the fact that at my urging, the Board of Directors began a policy in 2001 to conduct an annual third-party review of FESHA accounts and procedures and the first comprehensive financial audit of FESHA was performed for the year ended December 31, 2001. The review policy calls for a full audit every other fiscal year, and a less stringent, but professional account review performed in the alternate years. Forgoing a full audit every year recognizes the size and nature of our organization and the good safeguards and procedures we have in place. This alternating schedule also minimizes costs every other year. For fiscal year 2004 an account review was performed and therefore when this current tax season wraps up in late March and early April, we will again work with a third party accountant from outside the neighborhood to perform a full audit. The results of the 2004 review are available to you upon request of the Association Office, and the results of the 2005 audit will also be available when that engagement is complete. Please recognize that all of the data I am providing today, including the attached Profit and Loss and Balance Sheet statements, has not yet been audited by a third party accounting professional. Therefore the data is subject to later adjustment, explanation, and restatement if appropriate.

2005 Financial Activity

FESHA Income for 2005 was approximately \$184,406 as indicated on the handout Profit & Loss statement. As in every year, the primary source of this income was annual dues income totaling \$160,000. FESHA Operating Expenses incurred for 2005 totaled approximately \$132,505. Both income and expenses are listed by major account category on the attached Summary document.

You will recall that we have also established a capital asset maintenance plan ("CAM Plan" for short) which annually allocates funds into specific reserve accounts to save for future maintenance and remedial projects. Based on the CAM Plan schedule, and in accordance with our 2005 budget, these reserve accounts received allocations in 2005 totaling \$52,788.

When you take our 2005 Income, subtract 2005 Operating Expenses (\$132,505), and subtract 2005 Deposits to Reserve Accounts (\$52,788) you will see that we finished the year just slightly over budget [$\$184,406 - \$185,293 = (\$887)$].

Our CAM Plan reserve accounts, in addition to construction deposits that we hold in a separate account, are listed on the attached Summary. You will note that we had an approximate 2005 year end Total Cash balance of \$229,014, comprised of the specific reserves listed. When you take our 2005 year end Total Cash and subtract our 2005 Reserved Cash, you find that we show approximately \$20,726 in uncommitted cash available for 2006 expenses.

In estimating the use of this balance during the budgeting process for 2006, this amount was effectively reduced by the cost of projects that were previously approved or initiated by the board in 2005, or earlier, but not yet expensed because they have not been completed. One of those projects was the sign for the front of the clubhouse which was just installed yesterday. Other projects and expenses include purchase of equipment to enable wireless internet access in the clubhouse, pool repairs, and any remaining fees for the planning and conceptual design of new entryways into Foxcliff South, a topic of recent discussion. The total of these previous cash commitments for projects underway is approximately \$7,483.

Subtraction of this amount from the undesignated sum of \$20,726 described above yields a balance of approximately \$13,243 that can be used for 2006 expenses. Having already described

further details of the 2006 budget at some length during the January special budget meeting, I do not provide any additional specific detail in this report, highlighting instead the fact that the budget anticipates the continued scheduled funding of the CAM Plan reserves, including a small increase to the schedule for drainage and clubhouse reserves, alongside with a modest increase in operational expenses that we hope will correlate with increased services

I close with a few remarks about what I view as some of the positive indicators of the positive financial health of FESHA. First and foremost, we attempt to run the business of the association within the constraints of an operating budget. Although any budget is fundamentally just a prediction of future events, we have and will hopefully continue to use it as a prudent planning and estimating tool.

I also find encouragement that in the face of certain long term asset maintenance needs that will likely cost several hundred thousand dollars, I have been able to work with the board to put a commonsense plan in place to meet those needs with the low likelihood of assuming any debt or incurring unexpected assessments. While I am not suggesting that corporation debt is intrinsically bad, I would submit that if we can find a balance between a modest annual assessment, continued opportunities for recreation and enjoyment, and improvements to our own assets and aesthetics – and incur minimal or no debt in the meantime – then that is a balance worth striving for. Be aware that there are other additional needs and projects that will require this same sort of planning and reserve saving.

Lastly, I believe that over the past four years we have been able to maintain and even strengthen our internal checks and balances to ensure fiscal integrity. Examples of this include the implementation of annual accounting reviews/audits and tax preparation by external professionals, strict adherence to a two-party signatory rule regarding expenditures, and implementation of a tighter activity expense approval process by individual board members charged with overseeing the functions of specific parts of FESHA's operations.

As in past years, I remain optimistic that our actions planned in 2006 and beyond will continue to distinguish us from other neighborhoods in central Indiana. Thank you for the opportunity to serve on the FESHA Board of Directors.

Calvin Kelly
2005 Treasurer, FESHA

FOXCLIFF ESTATES SOUTH HOMEOWNERS ASSOCIATION

Annual Meeting February 12, 2006

Treasurer's Report - 2005 Summary (1)

For the Year Ended December 31, 2005

Income for 2005:

\$	160,000	received from annual member dues
\$	1,850	received from clubhouse rental functions (less \$250 refunded clubhouse deposit)
\$	6,000	received from clubhouse office lease
\$	2,150	received from newsletter advertising
\$	7,000	received from road usage fees paid pursuant to 2005 construction
\$	1,093	received from pool vending activities
\$	3,894	received from interest income on FESHA funds
\$	1,716	received from administrative fees and construction deposit withholdings
\$	703	received from pool fees, Associate Member dues, delinquent account interest
<u>\$</u>	<u>184,406</u>	<u>TOTAL 2005 Income</u>

Operating Expenses for 2005:

\$	10,695	for clubhouse, tennis court operation
\$	1,977	for newsletter publication
\$	28,954	for swimming pool operation
\$	29,297	for roads, lakes and common area maintenance
\$	1,419	for social functions
\$	21,380	for association office operations
\$	5,735	for professional fees
\$	9,002	for insurance
\$	8,758	for taxes
\$	15,231	for capital improvements
\$	57	for miscellaneous expenses
<u>\$</u>	<u>132,505</u>	<u>TOTAL 2005 Operating Expenses</u>

Deposits to Reserve Accounts for 2005:

\$	31,563	Road paving reserve deposit
\$	16,300	Drainage reserve deposit
\$	2,620	Pool reserve deposit
\$	2,305	Tennis court reserve deposit
<u>\$</u>	<u>52,788</u>	<u>TOTAL 2005 Deposits to Reserve Accounts</u>

Distribution of 2005 Funds:

\$	184,406	2005 Income
\$	(132,505)	2005 Operating Expenses
\$	(52,788)	2005 Reserve Deposits
<u>\$</u>	<u>(887)</u>	<u>Net Difference</u>

2005 Year End Cash Balance (Includes Reserve Accounts):

<u>\$</u>	<u>229,014</u>	<u>Total 2005 Year End Cash</u>
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2005 Year End Reserve Account Balances:

\$	53,472	designated for major long term road maintenance and repair
\$	71,036	designated for construction deposits (including interest)
\$	2,305	designated for major tennis court maintenance and repair
\$	14,283	designated for major pool maintenance and repair
\$	50,000	designated for significant/unexpected operational needs
\$	16,300	designated for neighborhood drainage improvements
\$	892	earned interest yet to be allocated across non-construction reserves
<u>\$</u>	<u>208,288</u>	<u>Total Reserved Cash</u>

2005 Total Cash less 2005 Total Reserved Cash:

\$	229,014	Total Cash
\$	(208,288)	Total Reserved Cash
<u>\$</u>	<u>20,726</u>	<u>Sub-total Uncommitted Cash Available for 2006 Expenses</u>
\$	(7,483)	Cash commitments for projects underway
<u>\$</u>	<u>13,243</u>	<u>Uncommitted Cash Available for 2006 expenses</u>

Note (1) - The data contained in this document is a summary of the information found in the attached Profit and Loss and Balance Sheet statements. All data is unaudited and subject to adjustment, explanation, and restatement if appropriate.

Attendees:

Name	Lot #
David and Michelle Huelster	987
Staber Dearth	525
Calvin Kelly/Jennifer Tillman	675/676
Bob & Lisa Young	687/688
Richard & Marlys Weis	954
Craig & Karen Dahl	685
Pat Dinnsen	545
Frank & Bernice Mikszan	544
Susan Fletcher	743/744
Rick & Mickey Skiles	668
Daymon Brodhacker	641/644
Mike & Lori Engle	670
Paul Myers	577
Debra & Jack Morrison	975
Mike & Sharon Goheen	989
Mike & Nancy Shipman	528A/B
Olga Wutsch	547
Tom Rhodes	508
Stan & Jennifer Sadler	820
Keith Anderson	803/804
Kathryn & Preston Richards	973
Angie & Mark Dice	532/533
Mike & Amy Runkel	290/291
Joe Huff	990
Jerry & Pat Slater	996
Mary Ann Schott	991
Drew & Cheri Robertson	814
John Rector	986
Doug Garrison	845/846
Bill & Karen Nester	551
Brian & Julie Hoppel	964
Kurt & Cindy Vogel	536/537
Bruce & Bonnie Kohl	976/529
Marc Toffolo	969
Bonnie Jamison	948
Chris Sheets	957
Anne Shaw	818
Mike Bodine	556
Donna Molzon	504
Robert & Nina Hoyne	235/236
Jim & Micky Holmberg	970/971
Larry Cordray	977/978
Scott & Konni Andis	847