HERITAGE ESTATES PROPERTY OWNERS ASSOCIATION (HEPOA)
OPEN BOARD MEETING VIA VIDEO CALL
TUES, JUL 22, 2026

Attendees: Duane Esarey, President; Paula Shepherd, Secretary; Janet Johnson, Treasurer; Emily McNeely, Mitzie McCurdy, directors at large; Susan Grayson, John Sheldon, Covenants Committee members; Alice Butler, Greg Butler, Andy Fox, Shelia Helms, Bobbi and Steve Misenheimer, Michael Shepherd, members.

At 7:00 pm, on July 21, 2026, Duane declared a quorum and called the meeting to order.

Orientation:

- This is an Open Board Meeting which will generate minutes and is being recorded so no feedback is missed. By law, at least one Open Board meeting is required per year. We will schedule more Open Board meetings as the need arises.
- At the June 1 Board Meeting, the Board and Covenants Committee discussed how to address the fact that the incorrect version of the Covenants was sent out.
- Our lawyer went back to the proper version, incorporated our suggestions and added his own. We received his new version on May 19, 2026.
- The board revised it, reintroducing the non-negotiables for our community (as a redline version so members can see the changes).
- The draft, redline, summary of changes and a cover letter explaining the reopened input period were mailed to the full membership on June 21.
- These Covenants are on our website as versions 10 and 11.
- On June 28, a notice and link for this open meeting were sent to the membership.
- The member input period on the June 21 draft runs until the annual meeting on August 29. Members may also provide input by contacting any board member directly.

Secretary Report

- The June 1 minutes review/approval is deferred until our next meeting.

Treasurer Report

- Our financial dashboard was deployed yesterday and is now a permanent fixture of the website. The dashboard is interactive and shows the history of HEPOA finances.
- Work on the new budget for 2027 will begin soon.

Old business

- The amended Covenants effort is the only agenda item tonight.

New business

- June 21 Covenants draft brought on screen so attendees could view and discuss each item.

Section 5.05 — Annual assessments and the 10% provision

- Andy Fox stated he was reasonably comfortable with the proposed changes and asked about the rationale for the 10% figure (the maximum annual assessment increase the board may include in a budget without a membership vote before the budget is sent out for ratification). The board explained the attorney originally recommended 20%; the board reduced it to 10% as a number the members could live with. The figure is a protective cap, not inflation-based.

- Greg Butler thanked the board, and Janet in particular, for the work on the drafts and said he is more comfortable with the current version than earlier ones. He questioned why the board should be able to approve any assessment increase without a membership vote, noting the association's past practice of presenting the budget for a member vote at the August/September meeting. Janet clarified that the financial reports presented at those annual meetings were partial summaries of spending, not budgets. HEPOA's first budget was in 2021.
- Greg asked that members present at the annual meeting vote affirmatively on the budget rather than relying on the statutory ratification process under NC Gen. Statute 47F, where a proposed budget is ratified unless a majority of all lot owners votes against it.
- Board members explained the state statute cannot be made less restrictive and the 10% clause was added as a stronger member protection; it prevents any board from sending out a budget with more than a 10% increase without first obtaining a positive vote of the membership. An example was cited of another small HOA where assessments were raised from roughly $120 to $1,200 per month with no member recourse.
- Alice Butler texted input that the 10% cap should remain, even if a two-step (member vote, then ratification) process is adopted, as a double protection. There was general agreement with retaining the 10% figure.
- John Sheldon said this clause limits the power the board to make automatic increases. There is nothing that says the board can't seek input from the membership.
- Mike Shepherd said we vote in the board members to make these decisions. Also, that 10% is a very low dollar amount.
- A possible approach was discussed in which the membership votes at the annual meeting on whether the proposed budget may be sent out for ratification, with the formal statutory ratification then conducted remotely afterward. This will be reviewed with the attorney. Greg offered to participate in the discussion with the attorney.

<u>Section 7.03(B) — Grandfathered nonconforming improvements</u>

- John Sheldon and Susan Grayson reported that their attorney reviewed the June 21 draft and had very few comments overall. One suggestion was that paragraph 7.03(B), which grandfathers pre-HOA nonconforming improvements (the lot 31 garage and the 2007 lot 21 driveway to the state road), be moved out of the building-restrictions section into its own standalone section for clarity and stronger protection.
- There was general agreement; wording such as "nonconforming improvement" rather than "nonconforming lot" was discussed. The board will raise the restructuring with the association's attorney.

<u>Section 7.10 — Temporary structures during reconstruction</u>

- John and Susan's attorney also asked whether the temporary-structure/parking provisions cover reconstruction as well as new construction — for example, whether an owner may keep a motorhome or trailer on site while rebuilding a home rendered uninhabitable by storm damage.

The board agreed the point is valid and will ask the attorney to suggest language on reconstruction of a home rendered uninhabitable, to avoid ambiguity while preventing abuse.

- A related question was raised about temporary storage pods during construction or moves. The consensus was that pods are temporary, similar to sheds on skids already contemplated in the bylaws, and would in any case require approval through the architectural review process. The topic was noted for possible future clarification.

<u>Section 5.06 — Special assessments</u>

- Greg raised concerns about the special assessment provision: the phrase “from time to time” is vague and provides no real limit; the 50% cap (relative to the annual assessment) seems high for an emergency provision; and as drafted the board can levy a special assessment without member input or a member veto mechanism.
- The board explained the 50% figure was based on actual experience — the ice storm (about 40 trees down on the roads) and the hurricane clean up each cost thousands of dollars — and that the clause is limited to unforeseen emergency expenses necessary for health, safety, or access, precisely to prevent a board from levying special assessments for other purposes. Special assessments above the cap require a majority vote of all lot owners.
- Greg noted that in an actual emergency the association spends funds it already has (road fund, contingency, donations), so a special assessment mainly replenishes funds after the fact, which leaves time to involve the membership. He also cautioned that “unforeseen emergency” is open to interpretation by future boards.
- There was agreement to strike “from time to time.” Greg said he is not opposed to the provision overall, agreed appropriate guardrails may justify the cap, and will review the section further and propose language.
- Janet noted the draft also provides that special assessments cannot be used as the plan for funding foreseeable expenses. She reminded the group that the reserve study projects roughly a $30,000 shortfall for road repairs around 2033 (about $680 per lot if assessed at once, versus roughly $60 per lot per year if spread over seven years); reserve funds are held in a CD, and the first road project after the covenants pass will help ground-truth the estimates.

<u>Definition of member — LLC and entity ownership</u>

- Greg raised the question of lots owned by LLCs or other entities (his home is held in an LLC), noting the draft's definitions of “member” (1.10) and “owner” (1.11) do not address how an entity designates an individual to vote or to serve on the board. The board agreed this is a good question, will ask the attorney, and expects the definition of member to be amended to allow an entity to designate an authorized representative. Whether such a representative may hold office will also be checked.

<u>Action Items</u>

- Board/Committee: Consult the attorney on (1) possible procedure for a membership vote on the budget before it is sent for ratification, (2) making 7.03(B) grandfathering a standalone section; (3) reconstruction language for temporary structures in 7.10; (4) handling an entity/LLC representation in the definition of member; and (5) special assessment wording in 5.06, including striking “from time to time.”

- Greg Butler: Review Section 5.06 further and propose language; join the August 3 meeting and/or the attorney discussion if available.
- Janet: Prepare the draft budget within the next week or so; members to send any budget input.
- Board: Send out the call for nominations and the notice of the annual meeting (deadline tied to the August 3 board meeting); decide the annual meeting venue.

Upcoming Meetings

- Next regular board meeting: Monday, August 3, 2026, 7:00 p.m., with the covenants committee and board of directors present to work through the language discussed; Greg Butler was invited to attend. Invitations to be sent.
- Meeting with the attorney to follow the August 3 meeting.
- Annual meeting: Saturday, August 29, 2026. Member input on the covenants draft will be considered through the annual meeting.

Call for any other business. Call for motion to adjourn

- Mitzie made a motion to adjourn, seconded by Emily. Motion passed.
- Adjourned at 8:43 pm

Respectfully submitted,
Paula C. Shepherd (Secretary)