

SOUTHEASTER, INC.
BOARD OF DIRECTOR'S MEETING MINUTES
May 28, 2022

The Southeaster, Inc. held a Board of Director's meeting on Saturday, May 28, 2022 via Zoom. Notice of the meeting was duly posted on the Association property at least 48 hours in advance. A quorum of the board was established and Skip Jewett, President called the meeting to order at 9:00 a.m. Directors present via Zoom were Skip Jewett, President; Linda Breum, Vice-President; Mark Chase, Treasurer; Diane Vinson, Secretary; Keith Ellis, Director; Tom Smith, Director; Frank Melton, Director; Blake Thomas, Director and Steve Howard, Director.

Frank Melton moved to approve the April 8, 2022 Board of Director's Meeting Minutes which motion was seconded and unanimously approved.

Skip Jewett, President: Provided a recap summary regarding the Notice of Violation we received from the County of Volusia with regards to our seawall (recap summary attached from the April 8, 2022 minutes).

Mark Chase, Treasurer/Insurance: Report attached

Luann Fanelli, Managers Report: Concrete repairs on the B building walkways are complete. Ace Enterprises is currently completing a balcony repair on B building. There are several minor repairs to be completed around the property which we will probably wait until after the summer to complete. There have been two pipe repairs in the E building which required pipe repair and drywall repairs. Ray Halas, maintenance completed the acid etching in the south pool and will schedule the acid etching on north pool soon. This procedure will save the Association over \$2500 per swimming pool since Ray is doing the work and we do not need to hire an outside contractor. New signs installed on all gates to keep gates closed and not to prop them open.

Frank Melton moved to comply with Volusia County's 4-1-22 Notice of Violation by erecting a guard along the top of the seawall. The motion was seconded by several Board members. After discussion by the board and comments from the owners, there was a call for the board to vote on the motion to comply. The vote was taken by roll call and was as follows: Skip Jewett, Yes; Linda Breum, Yes; Tom Smith, Yes; Steve Howard, Yes; Blake Thomas, Yes; Mark Chase, Yes; Keith Ellis, Yes; Frank Melton, Yes; Diane Vinson, Yes. The motion to comply with the County's Notice of Violation was unanimously approved.

Frank Melton moved to select between aluminum fencing and cable railing as the type of guard system to be erected along the top of the seawall. Blake Thomas seconded the motion.

Mark Chase moved to amend the motion to add a third option which would postpone selecting the type of guard system until the September 2022 meeting and would appoint a committee to gather additional information on the type of systems available and solicit owner input. Tom Smith seconded the motion. After discussion by the board, there was a call for board to vote on the motion to amend the motion by adding the third option. The vote was taken by roll call and was as follows: Skip Jewett, No; Linda Breum, No; Tom Smith, Yes; Steve Howard, No; Blake Thomas, No; Mark Chase, Yes; Keith Ellis, No; Frank Melton, No; Diane Vinson, No. The motion to amend failed with seven (7) no and two (2) yes.

The board then discussed aluminum fencing and cable railing, including the costs of each based upon three contractor bids provided to the board, and other factors such as aesthetic appearance and durability. The floor was then opened for owner comments. After board discussion and owner comments, there was a call for the board to vote on the type of system to be installed. The vote was taken by roll call and was as follows: Skip Jewett, cable railing; Linda Breum, cable railing; Tom Smith, aluminum fencing; Steve Howard, cable railing; Blake Thomas, cable railing; Mark Chase, Abstain; Keith Ellis, cable railing; Frank Melton, cable railing; Diane Vinson, cable railing. Cable railing was selected with seven (7) for cable railing, one (1) for aluminum fencing and one (1) abstention.

Blake Thomas moved to retain Terrascope to erect the cable railing system. The motion was seconded by several board members. There was a call for the board to vote on the motion to select Terrascope as the contractor. The vote was taken by roll and was as follows: Skip Jewett, Yes; Linda Breum, Yes; Tom Smith, No; Steve Howard, Yes; Blake Thomas, Yes; Mark Chase, Abstain; Keith Ellis, Yes; Frank Melton, Yes; Diane Vinson, Yes. The motion carried with seven (7) Yes, one (1) No and one (1) abstention.

The next regular Board of Director's meeting is scheduled for August 27, 2022 at 9:00 am in the recreation room.

Linda Breum moved to adjourn which motion was seconded and unanimously approved. The meeting was adjourned at 10:20 a.m.

Diane Vinson
Secretary, Southeaster, Inc.

Dear owners.

The following is a recap of the Board's discussion of the seawall issue at the April 8, 2022 Emergency Board meeting.

The Notice of Violation

We began by discussing the April 1, 2022 Notice of Violation that was hand delivered to Luann on Friday, April 1, 2022 by the Volusia County Code Enforcement officer. The bottom line is that the County contends that Sec. 1015.2 of the Florida Building Code applies to our seawall. Sec. 1015.2 requires that an "open sided walking surface" that is more than 30 inches above the ground requires a "guard" (guardrail or fence) that is at least 42 inches tall.

The County contends that the top of our seawall is an open walking surface that is clearly more than 30 inches above the beach. Depending on the season and the tides, the top of the seawall is anywhere between six and nine feet above the beach surface.

The County also contends that the lack of a guardrail or fence on the seawall is an "imminent danger" pursuant to Sec. 58-84(b)(1) of the Volusia County Code because it is likely to cause injury to a person "entering or occupying" the top of the seawall. That is, a person is likely to be injured if they fall off the seawall onto the beach.

Since the County has declared the seawall an "imminent danger", the County code requires Southeaster to repair or abate the alleged dangerous condition within five days. The Code Enforcement officer told Luann that a temporary fence along the seawall will comply with the five day deadline.

However, in the County's view, the only way for Southeaster to come into compliance is to erect an acceptable guardrail/fence along the entire seawall.

The County also cited the other condos along Saxon, so it was not picking just on us. Surfside, Ocean Club North, and Seaward were also cited. I understand, but have not confirmed, that Ocean Club South was cited.

Recap of response to date

We then discussed our initial actions in response to the Notice of Violation. Luann had Ray and Alan purchase temporary fencing, which they then erected along the seawall. That was completed on Friday, April 8, 2022.

I sent an e-mail to the Code Enforcement Officer stating that Southeaster intended to work with the County in good faith, including the erection of the temporary fencing in order to comply with the five day deadline. I also told the officer that our decision to erect the temporary fencing was not a waiver of our right to contest and/or appeal the alleged violation.

Luann and I also spoke to several attorneys about representing Southeaster in this matter. We feel that outside representation is necessary to objectively analyze our options. As I will discuss below, the Board voted to retain Kenneth Bohannon, an attorney in NSB, to represent us.

I have also spoken several times with JT Griffin, the president of the Surfside Board. We discussed "joining forces" with the other condos that were cited, as well as how Surfside plans to respond to the County.

My comments and observations

I then discussed my comments and observations based on the four hours I had spent over the prior weekend digging into the County's claims, the County's code and the Florida Building Code.

I first encouraged everyone to be realistic about what I think is the likely outcome: I think Southeaster will probably have to comply by erecting a permanent guardrail/fence along the top of the seawall. The Board will do its due diligence by having an attorney objectively review the matter and give us an objective opinion of Southeaster's chances of successfully challenging the Notice of Violation. But the Board and the owners will ultimately have to make an objective, non-emotional and economic decision as to whether it is better to fight or to comply.

My next observation was my belief that the deck is stacked against us. It is unlikely that the County's Code Enforcement Department will back down. That means we will have to contest the violation by appealing. The appeal process under the County code starts with an appeal to the Code Enforcement Board, which is made up of County appointees. I think it is unlikely the Code Enforcement Board would overrule Code Enforcement in this situation.

If the Code Enforcement Board rules against us, then the next step is an appeal to the Volusia County Council. The Council could overrule the Code Enforcement Board, but I think it would be unlikely.

The next step after the County Council would be an appeal to the Circuit Court in its appellate capacity. Again, I think it is unlikely that we would win at this level. The Circuit Court would probably just look to see whether Southeaster was given a fair hearing. It probably would not hear the matter as a new case (otherwise known in legal speak as a de novo review).

Fighting this matter to the bitter end will also be expensive. We will have to pay our own lawyers (\$225 to \$350 an hour). Plus, if we lose, we will probably have to pay the County's attorneys' fees and costs, and we will still have to build the fence.

So, as you can see, the objective economic decision that is best for Southeaster could be to comply and build the guardrail/fence on the seawall.

I also discussed Southeaster's liability in the event a personal injury claim is made against Southeaster if someone falls off the seawall and is injured. The fact that this has not happened in 50 years (as far as we know) will not mean much now that the County has declared the seawall to be an "imminent danger."

I asked the Board and the owners to not "freelance" this matter by acting on their own. At this point, the Board and our attorney should handle this matter exclusively. We welcome input, comments, and questions from the owners, but those should be routed through Luann. The Board

assures the owners that we will not make major decisions without giving the owners notice ahead of time.

Plan in response to the Notice of Violation

The Board then voted to explore our options with regard to the Notice of Violation, including an appeal/challenge. The key question will be whether there is a realistic chance of successfully challenging the Notice of Violation.

The Board then voted to retain Kenneth Bohannon as Southeaster's attorney. We were referred to Mr. Bohannon by several sources. He has experience in code enforcement matters, and his initial e-mail to Luann showed he already has a grasp on the issues.

The plan is for Mr. Bohannon to research the situation and then generate a written opinion that discusses Southeaster's options and the likelihood of success with each. He estimates that this project will likely cost about \$1800 to \$2000 in fees.

We hope that Mr. Bohannon will get us his report quickly. The Board will then reconvene to discuss Mr. Bohannon's findings and recommendations and to plan the next step.

The Board then discussed whether to join forces with the other condos cited by the County. The Board voted to table this decision until after we hear from Mr. Bohannon. There are pluses and minuses to joining forces. On the plus side, the condos can present a united front to the County. On the minus side, we may not want to be tied to what the other condos choose to do.

Finally, we discussed potential options in the event we decide, or are forced to, comply and build the fence. The Board and the owners need to know this information in order to make an objective economic decision whether it is cheaper and less risky to comply or to fight to the end.

Luann has obtained estimates for aluminum fencing, glass fencing and cable railing. All options would meet the Florida Building Code. The estimates range from \$27,000 for aluminum fencing to over \$100,000 for cable railing. The cost is driven in large part by the length of the seawall, which is over 700 feet long.

The final decision on the guardrail/fence will not be made without notice to, and input from, the owners.

The Board, Luann and I will continue to update you on the seawall matter.

Thank you,

Skip Jewett

President

Southeaster Board of Directors

All,

Southeaster BOD Meeting 5/28/22
Treasurer's Report

2022 FINANCIAL PERFORMANCE THROUGH 4/30/22:

Year-to-date (YTD) association income through April 30, 2022 was \$316,614.08; \$140,387.09 over budget — (\$138,600 of which was a special assessment).

YTD 2022 expenses through April 30, 2022 totaled \$288,229.48; \$139,722.45 over budget (includes transfer of \$86,600 from operating account to the concrete restoration reserve account).

YTD 2022 net income through April 30, 2022 was \$28,384.60 (including the special assessment and transfer to reserves).

INCOME VARIANCES:

Special Assessment to make up for projected 2022 operating deficit and unanticipated concrete restoration costs — +\$138,600.00 (over budget)

Rental income from assn owned unit C202 — +\$2115.00 (over budget)

Laundry income — <\$310.92> (under budget)

EXPENSE VARIANCES:

BUILDING OPERATING EXPENSES: <\$79,976.39> (over budget) \$86,600 transferred to the concrete restoration reserve account.

GROUNDS OPERATING EXPENSES: ok overall

Lights & Sign Maint: <\$1319.57> (over budget) deck, turtle, and flag lights.

UNITC-202: + \$2467.06 (under budget) Good.

PAYROLL EXPENSES: +\$1613.39 (under budget) Good.

POOL/DECK: <\$9262.74> (over budget)

Chemicals: <\$1704.14> (over budget) inventory building because of supply shortages and price increases.

Equipment Repair: <\$7161.66> (over budget) mostly new pool heater which will be transferred to reserves.

RECREATION: + \$605.07 (under budget) Good.

CASH POSITION: (as of 12/31/21) — \$509,817.26 CASH POSITION: (as of 4/30/22) — \$556,125.91

2022 OPERATING ACCOUNT:

December 31,2021 balance: \$8532.98

April 30,2022 balance: \$76,808.32

2022 RESERVE ACCOUNT:

December 31,2021 balance: \$501,284.28

ADDITIONS:

\$47,755.48 (insurance premium repayments from operating account.)

\$27,720.00 (from assn dues.)

SUBTRACTIONS:

Check# 1141 - \$116,838.50 (1/5/22) to IOA (property/liability insurance premium to be reimbursed from operating account)

Check# 1142 - \$700.00 (1/11/22) to United Engineering (inspection of concrete restoration work)

Check# 1143 - \$2500.00 (1/11/22) to Terra-Scape Enterprises (deck lights/transformers)

Check# 1144 - \$16,049.40 (1/20/22) to Ace Enterprises (concrete restoration work)

Check# 1145 - \$16,852.92 (2/6/22) to Ace Enterprises (concrete restoration work)

Check# 1146 - \$12,517.45 (3/3/22) to Ace Enterprises (concrete restoration work)

Check# 1147 - \$700.00& (3/8/22) to United Engineering (inspection of concrete restoration work)

Check# 1148 - \$17,893.71 (4/5/22) to Ace Enterprises (concrete restoration work)

April 30, 2022 balance: \$479,317.59*

*\$75,294.43 due from operating account for insurance premiums paid in advance.

PREPAID MAINTENANCE FEES: \$45,986.00

PREPAID INSURANCE: \$70,323.42

PREPAID TERMITE BOND: \$1530.41

I submitted a detailed Treasurer's Report into the record but this financial overview should be combined with it since it deals with our cash position and the two biggest budget concerns to date.

Our cash position is good for the time being:

Cash Position: 12/31/21 - \$509,817

Cash Position: 4/30/22 - \$556,126

Operating Account Balance: 12/31/21 - \$8532.98 Operating Account Balance: 4/30/22 - \$76,808.32

Reserve Account Balance: 12/31/21 - \$501,284.28 Reserve Account Balance: 4/30/22 - \$479,317.59

Regarding the \$138,600 special assessment and how the funds were allocated:

All the money initially went into the operating account. \$86,600 was subsequently transferred from the operating account to the concrete restoration reserve account. The remaining \$52,000 stayed in the operating account.

I didn't include the insurance expense variance nor the aggregate concrete restoration cost in the Treasurer's Report because together they had the biggest financial impact on our budget and constituted the primary reasons for the necessity of the \$138,600 special assessment. For this reason each deserves individual attention.

INSURANCE:

The annual premium for our property/liability policy which renewed in Jan 2022 increased by \$30,472 (from \$86,366 to \$116,838) representing a 35% increase. The increase was primarily due to market conditions and indications are that the market will not soften any time soon. The magnitude of the premium increase is not unique to the Southeaster. Our neighbors are seeing the same kind of premium increases as they renew their policies and I'm told that this is consistent with average increases throughout the coastal communities in Florida.

We borrow from the reserve account to pay the entire premium at the inception of the policy and then repay the reserve account from the operating account over 12 months. This will result in a budget overage in this expense account of about \$2570 each month.

The good news from an insurance perspective is that the cost of the flood policy which renews July 4th has remained pretty much the same with a modest premium increase of around \$700.00 (a 2% increase).

The flood insurance premium is affected by property elevation. Luann has sent our insurance broker our elevation certificates so there may be some slight adjustment, hopefully downward.

CONCRETE RESTORATION:

The 2022 aggregate cost for concrete restoration so far is \$64,713.48 including engineering costs. This number is increasing as we are continuing to do more concrete restoration work. How much more

needs to be done is in question. Ace Enterprises, the company doing the concrete restoration work, estimated in Jan 2022 projected costs up to \$85,000.

We allocated \$86,600 of our \$138,600 special assessment to the concrete restoration reserve account. As of 4/30/22 we have \$39,081.32 remaining in the concrete restoration reserve account. So this is an unknown potential cost at present which needs to be monitored closely going forward.

Finally, the budget committee which was examining our contracts and service agreements for cost savings was blindsided by the unexpected huge increase in insurance premiums and the mounting concrete restoration costs. Any potential savings we were finding were being dwarfed by the tremendous budget busting increases that we encountered elsewhere. Seeking expense reductions is always advisable and shouldn't be abandoned but focusing on mitigating the impact of the larger costs we have encountered recently has taken center stage.

Regards,
Mark