MEETING NOTICE

A special meeting will be held
on Saturday, October 22, 2016, at 10am at the Association Center, 111 Lighthouse Wynd, to discuss the proposed merger of Bald Head Association and the BHI Stage Two Association.

BHA members are encouraged to review the enclosed information and email questions, comments and concerns to Association President Judy Porter (rporters@bellsouth.net) or Executive Director Carrie Moffett (carrie@baldheadassociation.com) prior to the meeting.

Instructions for participating electronically:
From any computer, tablet or smartphone:
https://global.gotomeeting.com/join/937282829

and/or

Call in by phone: (408) 650-3123
Access Code: 937-282-829

Questions? Contact Carrie Moffett at 910-457-4676 x21

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Bald Head Association/BHI Stage Two Association
Merger Background

Bald Head Association's early roots were established in the mid-1970s by a group of property owners led by Dr. Thad Wester. The Association was incorporated in April 1982 before Bald Head Island Limited began developing the island and before the Village of Bald Head Island was formed. The purposes of the BHA were to provide advocacy for the property owners, and to preserve the unique character of the island – a much broader mandate than that of a typical homeowners association. Of course, the founders also wanted to enforce design guidelines and protective covenants and maintain common areas – all of which would help maintain the beauty and uniqueness of Bald Head Island.

Stage Two was created by Bald Head Island Limited in 1995 as a more-typical homeowners association with a mission of enforcing design guidelines and covenants and managing common assets.

Both sets of covenants call for merger between the two associations. We think this is the time to move forward with a merged association to begin planning for the island's future development through the use of consistent standards. This proposed merger helps effectively and efficiently manage that build-out well into the future, while still retaining the broader mission of the BHA.

The bottom line is this: Current Bald Head Association members will not pay an increase in dues as a result of merger, while some Stage Two property owners will pay a slight increase to cover management services. We encourage everyone to read in detail below about what the merger will mean, should it be approved by both organizations.

BHA Member Questions and Answers

What will happen to my dues if BHA and the Stage Two Association merge?

After merger, everyone in the BHA will pay the same basic dues. For 2016, those amounts are $345 for a home and $115 for a lot. Dues for BHA property owners will remain the same in 2017 and 2018 as they are now.

Property owners in what is now Stage Two will pay additional supplemental dues to cover the cost of managing the contracts and secondary covenants unique to their neighborhoods. These are analogous to the supplemental dues property owners in BHA neighborhoods such as Ibis Roost, Sabal Palm and the Villas pay to their sub-associations. Stage Two neighborhoods currently pay neighborhood-specific maintenance and reserves fees. These will continue.

We have established a process which we believe is fair and equitable for all members of the merged association. While we don't know what the exact numbers will be in 2018, we believe this process will allow us to accomplish the merger without raising the 2017 and 2018 basic dues above the current levels paid by BHA property owners.

I am a BHA property owner and I paid an assessment for the recent purchase of Battery Four. Will Stage Two property owners also have to help pay for that purchase?

Property owners not in the BHA at the time of the Battery Four purchase cannot be legally assessed retroactively. BHA has covered the second year of the special assessments with funds from the recent sale of land to Bald Head Island Limited and is working on an alternative source of funding to cover the third special assessment. If a third special assessment is necessary, all members of the merged association would be charged in 2018. The maximum amount of that special assessment would be $64 for a lot and $192 for a home.

I am a BHA property owner. Will I have to pay for alleys, docks and other assets located in Stage Two?

Neighborhood-owned and maintained assets like alleys and docks are covered by the supplemental dues charged to property owners in those individual neighborhoods that own the amenities. No other property owners share these costs.

Currently, BHA owns a considerable amount of common area, including the Association Center, several lagoons, beaches and the land buffering the golf course. Likewise, the Stage Two Association owns common area that is part of a master walkway and some common area located in and around several neighborhoods. In a merged organization, the costs of maintaining all common area will be covered by the basic dues of all members of the merged association.

Is the merger a done deal?

No. The boards of directors of both associations initially approved a plan of merger on September 9th. But, property owners in both associations will make the final decision.

The plan of merger and the accompanying unified covenants are currently being finalized. We expect to post them on our web site for your review on or about October 1. (www.baldheadassociation.com)

On October 22nd at 10am each association will hold a separate public meeting for members to ask questions and express their concerns. BHA's meeting will be held at the Association Center and electronic access will be available for those who can't attend in person.

After we hear from members and revise our agreements as needed, the boards will sign the documents in early November and members will vote on merger as part of the Annual Meeting. A proxy for the meeting will be mailed to you in early December, along with your annual report. Proxies must be received by BHA by Thursday, January 26, 2017, to be counted.

When will the merger take place?

If the merger is approved, the two organizations will actually merge as of January 1, 2018.

What if property owners in one or both stages vote "no?"

A "no" vote from either association will end the matter. BHA owners will be asked to remove the section of the covenants mandating terms for a merger with Stage Two and the merger process will permanently end.

What will happen during 2017 if the merger is approved in January of that year and doesn't take effect for a year?

The status quo in dues and services will remain in place during 2017, which we will use as a transition year. This will give time to track the actual management costs for Stage Two neighborhoods so we can prepare a 2018 budget for the merged association.

It will also give time for the separate organizations to jointly develop a unified set of Design Guidelines for the properties. Following an extensive period of member input and public hearings, the unified Design Guidelines would take effect as of January 1, 2018.

Will the board of the merged association include property owners from Stage Two?

Since Stage Two will be merging into BHA, the existing BHA leadership will remain in place. As current board members' terms end, anyone in the merged association will be eligible to become a board member. Two of the six current BHA board members own properties in and are members of both BHA and Stage Two.

How many staff will BHA have to hire to serve an additional 500 properties?

Stage Two currently outsources the full management of its member properties to a management company. It also relies heavily on board member volunteerism to run the association. Those same responsibilities must be transferred to BHA. Continued services of the management company for certain neighborhoods and additional part-time staff will likely be necessary to help handle the increased responsibilities of the larger organization. Costs will be covered by the additional revenue brought into BHA from supplemental management fees paid by owners of Stage Two properties.

Will this merger result in a physical expansion of BHA's Association Center?

BHA has no plans to expand the Association Center in the near future. If the board feels a larger Association Building is needed at some time in the future, it has committed to holding public sessions to discuss expansion needs with members and to gather input from them before proceeding with any expansion. If a decision is made to expand, remodeling costs would be spread among all property owners in the merged association and would be shared among the nearly 2000 properties instead of 1500.

I am a BHA property owner. Why should I vote in favor of the merger?

- It is time to end the unnecessary duplication of effort involved in having two associations on a small island. Having two Architectural Review Committees, two executive directors or community managers to run the associations, two Boards of Directors, two overlapping sets of rules and regulations and two sets of committee volunteers to assist in doing the work is a duplication of time, money and effort. It's also confusing to current and prospective property owners.
- Stage Two property owners have enjoyed many benefits from BHA such as property owner advocacy, e-mail blasts, classes, meetings and other events. Their dues under a merged association will help fund these benefits and will help with standardizing build-out across the island.
- Improved economies of scale will help enable BHA to keep future dues increases to a minimum.
- As the island reaches build-out, additional resources will be needed to accommodate a larger number of homeowners. A merger will increase the pool of contributors and help us more effectively and efficiently manage the island to maintain its beauty and uniqueness.
- All members of the merged organization will contribute to the final payment for Battery Four, if such a payment is necessary.

- Additional common areas located in Stage Two can be enjoyed by all property owners.
- BHA will be able to advocate for all member property owners and speak with one voice for the community.

We truly value your input! If you have questions, comments or concerns, please let us hear from you. We can answer your questions and add them to our current list of questions and answers above, so that we may continue to educate and inform owners on this important issue. Please contact Association President Judy Porter at rporters@bellsouth.net or Executive Director Carrie Moffett at carrie@baldheadassociation.com with your questions, comments or concerns.