



P E C A N W O O D
— ESTATE —
HOMEOWNERS ASSOCIATION

MINUTES OF THE SPECIAL GENERAL MEETING FOR PECANWOOD ESTATE HOMEOWNERS ASSOCIATION NPC (“PHOA”) HELD ON SATURDAY, 31st OF AUGUST 2019 AT 16H12 IN THE BANQUET HALL OF THE MAIN CLUBHOUSE

Attended:	Mr. JH de Villiers Botha	-	Pecanwood HOA Chairman (Erf 1180)
	Mrs. MM Myburgh	-	Pecanwood HOA Director (Erf 1230)
	Mr. J Rogers	-	Pecanwood HOA Director (Erf 8/1081)
	Mr. DJ Purnell	-	Pecanwood HOA Director (Erf 3/1082)
	Mrs. N James	-	Pecanwood HOA Directors (Erf 0062)
	Mr. AJ Welthagen	-	Pecanwood HOA Director (Erf 1229)
	Mr. D Truter	-	Estate Manager
	Mr. M Botha	-	Country Club General Manager

106 members in attendance plus 110 proxies as per the attendance register

In attendance:	Mrs. C Cruywagen	-	Duja Accountants
	Mrs. M Cillie	-	Duja Accountants
	Mrs. Y Shapeta	-	Duja Accountants

Minutes:	Mrs. O Ueckermann	-	Executive PA
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Mr. JH de Villiers Botha, the Chairman of the Board of Directors for the Company presided at the meeting.

1. WELCOMING

The Chairman welcomed those present at the meeting.

2. QUORUM

The Chairman stated that the Company’s Memorandum of Incorporation, Article 14, Clause 14.3, requires 151 members be present either in person or by proxy, to constitute a quorum.

As this requirement had been met, the Chairman declared the meeting to be duly constituted.

There were 216 members present either in person or by proxy.

3. VOTING BY BALLOT PAPERS

Mr. DJ Purnell (Erf 3/1082) explained to members present the reason for the proposal of the 1% entrance levy by the Board of Directors is to specifically fund the Common Property Reserve Fund of the Company. It was noted that the entrance levy would be for new members purchasing property on the Estate to ensure they too contribute towards the Company’s infrastructure.

The Board of Directors recognized the need for an additional revenue stream to fund the Common Property Reserve Fund. The concept of the 1% entrance levy was noted as being common practice within the industry to build reserves.

The need for the Company to maintain the reserve fund was detailed by Mr. DJ Purnell, explaining that a reserve fund would typically be used for unplanned major expenditure as well as planned major capital expenditure for the Company. The Company’s budget is calculated to breakeven to keep levy increases in line with the national inflation rate.

Historically, the 5-year to build levies were introduced to encourage members to build their property, in instances where members failed to comply with the Company’s timeline to build their property, the 5-year to build levy would be imposed on the member. These levies were then deposited into the Company’s reserve fund.

As of 2015, the Estate had reached almost full development, resulting in the 5-year to build levies income dropping sharply. During 2016, R6 Million of the reserve funds were used to rejuvenate the Country Club facilities. It was noted that the Board of Directors had resolved that the Common Property Reserve Fund should have a balance equal to that of a minimum of 3 months Levies, which at the current 2019 Levy rate amounts to R10.1 Million. Mr. DJ Purnell confirmed that there is currently a shortfall of R3 Million in the reserve fund.

Mr. DJ Purnell stated that the Company during the last financial year only generated a surplus of R100 000.00, which was not enough to improve the reserve fund. It was noted that if the 1% Common Property Reserve Fund is not approved, that the Board of Directors would then need to either increase the normal levies, or would need to introduce special levies for major repairs and maintenance as and when it would be required.

Mr. DJ Purnell presented an analysis of where the reserve fund would have been if the 1% entrance levy had been introduced in 2016, the reserve fund would have been at a balance of R13 Million.

The Board of Directors therefore propose the following 2 resolutions; firstly, that members approve the introduction of the 1% entrance levy. If the first resolution is approved, then the second resolution proposed is that the effective date would be on all property offers signed on or after the 30th September 2019.

Mr. DJ Purnell confirmed that if the 1% entrance levy was approved by members, any variation to the percentage would then need to be put forward to member to vote on at another Special General Meeting.

It was suggested by a member present that if the Directors were to increase the normal levy by an additional 1%, then the money generated from the increase could then be transferred into the reserve fund as it would amount to R1.5 Million, but the effect for the member would only be R147 extra per month on their levy. Mr. DJ Purnell stated that the Directors could consider adopting a policy that dictates that a certain percentage of the normal levies are directed to the reserve fund.

Mr. CA Parsons (Erf 1313) questioned if the percentage could be reduced, explaining that there are already transfer costs involved with selling a property. It was noted that he believed members who didn't pay their levy's try and sell their property would then be expected to pay an additional 1% levy on top of what they still owe the Company.

Mr. HJJ Kruger (Erf 1089) commented stating that he believed the principal of the entrance levy was fair, however that the Company had failed to do due diligence in respect of the amount that is required to be in the reserve fund. Mr. HJJ Kruger stated that the monthly expense of the Company is irrelevant to the amount of money the Company requires in the reserve fund. Mr. HJJ Kruger requested that a proper reserve study be completed, as it would give a clear indication of the amount that was needed in the reserve fund. Mr. HJJ Kruger confirmed that during his tenure as the Company's Estate Manager, a comprehensive reserve study was completed, and that this study just needed to be updated. Furthermore, Mr. HJJ Kruger stated that the Company should have held information sessions with residents before the Special General Meeting commenced to afford members the opportunity to debate and discuss the proposed resolution.

Mr. DJ Purnell replied that this topic had been discussed during previous information sessions held with members when the changes to the Company's Memorandum of Incorporation had been proposed, during 2018. Mr. DJ Purnell explained the urgency needed for the 1% entrance levy.

Mr. AWC Main (Erf 0168) stated that the Directors were proposing a 6% normal levy increase, yet the Company is losing R6 Million annually on debtors. Mr. DJ Purnell confirmed that the R6 Million was not a realistic reflection and stated that at best the Company could recover R1 Million from the debtors.

Mr. R van Eck (Erf 1029) declared that he is an Estate Agent accredited with the Company and confirmed there are an estimated 80-90 houses currently for sale on the Estate. Mr. E van Eck requested members to make an informed decision when voting on the proposed resolution. He explained that he believed that the entrance levy might deter potential buyers from purchasing property in the Estate, as there are no other Estates in the area that enforce such a type of levy. There is an average of 55 houses sold annually on Pecanwood Estate which amounts to an average of 5 houses per month. Xanadu Estate averages on 10-12 houses sold per month and explained that the entrance levy might deter buyers even further from buying homes in Pecanwood Estate.

It was questioned why the reserves had been depleted by R6 Million during 2016 as it was the same time the Company had introduced the R1 100 levy, the member questioned what then had happened to the additional levies? It was further stated that originally the special levy was only meant for 24 months, however the Directors had now incorporated it into the members normal levies. The member furthermore requested that the Company introduce an effective action plan to recover the money owed to the Company by delinquent payers.

Mr. DJ Purnell explained that the reason for the special levy introduced in 2016 was to allow the Company to start urgent renovations on the Main Clubhouse, maintain the golf course and re-establish golfing, boating and restaurant activities, while negotiations were instituted with Country Heights to secure control over the Country Club property. Mr. DJ Purnell explained that after the lease agreement was signed, the R1 000 levy then became part of the Company's operating costs and needed to be incorporated into the normal levy as the annual net operating costs for the Golf and Country Club hadn't gone away but became part of the Company's normal operations.

It was requested that the Company provide and investigate innovative ways to save money and to share creative ways to reduce costs.

Mr. HJJ Kruger corrected the previous statement made about the special levy being approved for 24 months, as the special resolution stated it was only for 1 year and furthermore it stated that the General Manager had to provide financial and progress feedback to members quarterly, which also never happened. Mr. HJJ Kruger confirmed that the reserve fund at the end of 2015 was R15 Million and not the reflected R13 Million.

Mr. DJ Purnell agreed that the bank balance in 2015 did indeed reflect R15 Million, but that the Company required R2 Million for operating costs, leaving the balance of R13m in the reserve fund

It was stated that the Company needed a plan to manage the Company correctly, and that the Directors consider borrowing money from a bank if there are unplanned expenses. The Chairman confirmed that the Company does manage the operations, and that annually the Directors approve the Company's budget. The Chairman confirmed that the Directors would however update the reserve study as well as an asset replacement plan for the Company. Any borrowing from a bank to fund projects would still need to be repaid – the funds to repay loans would have to be incorporated in the monthly levy.

The Chairman informed members that the Country Club will introduce lease agreements for the Boat Ports which will create an additional source of income for the Company and confirmed that the Directors are always looking at cost savings where possible.

It was questioned how many Proxies were handed in by the Directors of the Company, to which the Chairman confirmed that there was a total of 110 proxies registered with the accountants at the start of the meeting and confirmed that the proxy holders were various members of the Company and not just Directors.

Mr. CA Parsons (Erf 1313) questioned if the Company had been given the opportunity to purchase the Country Heights property. The Chairman answered confirming that the owners of the property were not keen on selling the property but did indicate that further discussions could be held after the first 3 years of the lease agreement.

4. DECLARATION BY THE CHAIRMAN OF THE RESULTS OF THE VOTE

The Chairman confirmed that the proposal to introduce a 1% entrance levy on new home buyers purchase price did not carry the required 75% of members votes and was therefore not been approved.

5. CLOSING

There being no further business, the Chairman thanked those present for their attendance and declared the meeting closed.

Meeting closed at 16h57

CHAIRPERSON

DATE