

March 16, 2021

To: South Hampton Owners

Dear Friends and Neighbors,

The purpose of this letter is to inform you about various concerns we have with the Board of South Hampton. We intend on asking members/homeowners to call a special meeting to ask for the removal of the Board. As some of you know, we sent a records request in January to the Board of Directors, to request copies of meeting minutes and other financial records. To date, the Board has provided some of the records, but the most critical records were never provided.

The Board has not provided copies of meeting minutes where the “emergency” \$1.8 million special assessment was approved by the Board, nor has the Board provided Board meeting minutes for most of 2020 or 2021. It has been brought to our attention by several homeowners that the Board will be reducing the size of the special assessment – we will applaud a reduction – although the Board has been unwilling to provide our requested information to support or substantiate the original special assessment. As many of you know, the Master Deed states that any special assessment over 10% of the prior year’s budget (\$128,270) requires a membership vote – no meeting was called, and no membership vote was taken. The relevant language from our Master Deed is included below for your reference and review.

When our requested records were not provided, we initiated a petition to the members/homeowners, and >40% of all owners signed the petition requiring the Board to call a special meeting. The Board, which took longer than the time allowed by law to call the meeting (by Code, it must be called within 30 days of a petition which would have been March 6th.), eventually scheduled a town hall special meeting at 2 p.m. on a Wednesday. Many of us will be at work. Historically, membership meetings are held on Saturdays to allow more attendance by the members/homeowners.

The Board, rather than answering the questions to which it is required to answer in the petition, will only answer questions that the homeowners submit in writing prior to the meeting. This does not seem like an effective way for the Board to listen to our concerns and respond to what is most important to the members/homeowners. This is appearing to be a highly controlled meeting that the Board will choose what questions to answer and may not allow any counter or follow up questions.

As many of you know, South Hampton is a defendant in two different lawsuits right now. One was filed due to the construction dispute, and one was filed in January.

You will also recall that no annual meeting or elections of Directors was held last year due to COVID. We repeatedly asked if the Board would call a meeting to allow members/homeowners to vote on new Directors, and the Board has refused to hold elections. At this point, we are not confident that the Board intends to hold elections again this year as there has been no communication or applications sent out, which has always occurred in early March. Without elections, the current Directors will serve longer than their 2-year term which expires in early May.

By law, members of a Board may be removed for any reason whatsoever. We think the time has come to ask members/homeowners to remove the Board. The removal of the board is the first step in holding elections that many members/homeowners are demanding we do. This decision is not made lightly, and

we believe that the above facts, even if taken in the light most favorable to the Board, is sufficient grounds to support an effort to remove the Board and hold an election for 5 new Directors.

Here is how we expect to proceed:

1. Ask members/homeowners to sign a petition to demand that a special meeting be called to remove the Board. 10% of members/homeowners must sign the petition to require the Board to call the special meeting. Each member/homeowner will receive a DocuSign petition within in the next two days.

2. By Code, the Board is required to call a special meeting within 30 days of the petition. If the Board chooses not to proceed with the special meeting, this would be unprecedented; however, the Code allows the person signing the demand to call the meeting, in which we are prepared to do.

3. At the special meeting, a vote will be taken to remove the Board. If the vote passes, a vote will be held immediately afterwards to elect Directors to replace the Directors that were just removed.

We hope you understand that this is a last resort, and that it is not our goal to create tension in our community.

Sincerely,

Tom and Lynn Leonti

Excerpt from the Master Deed:

Section 4.7. The Board can only levy special assessments without a membership vote if the amount is no more than 10% of last year's budget:

4.7 Special Assessments. In addition to the HOA regular assessments authorized by this Article, the HOA may levy, at any time and from time to time, upon affirmative vote of a majority of the Board of Directors of the HOA, a special assessment in an amount up to ten (10) percent of the prior years budget, payable over such period as the HOA may determine, for the purpose of defraying, in whole or in part, the costs of any construction or reconstruction, unexpected repair or replacement of the Project or any part thereof, or for any other expenses incurred or to be incurred as provided in this Master Deed (including without limitation HOA expenses). Such special

SC Code Of Laws, Describing The Process To Remove Directors:

SECTION 33-31-808. Removal of directors elected by members or directors.

(a) The members may remove one or more directors elected by them without cause.

(b) If a director is elected by a class, chapter, or other organizational unit or by region or other geographic grouping, the director may be removed only by the members of that class, chapter, unit, or grouping.

(c) Except as provided in subsection (i), a director may be removed under subsection (a) or (b) only if the number of votes cast to remove the director would be sufficient to elect the director at a meeting to elect directors

(d) If cumulative voting is authorized, a director may not be removed if the number of votes, or if the director was elected by a class, chapter, unit or grouping of members, the number of votes of that class, chapter, unit or grouping, sufficient to elect the director under cumulative voting is voted against the director's removal.

(e) A director elected by members may be removed by the members only at a meeting called for the purpose of removing the director and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the director.

(f) In computing whether a director is protected from removal under subsections (b) through (d), it should be assumed that the votes against removal are cast in an election for the number of directors of the class to which the director to be removed belonged on the date of that director's election.

(g) An entire board of directors may be removed under subsections (a) through (e).

(h) A director elected by the board may be removed without cause by the vote of two-thirds of the directors then in office or such greater number as is set forth in the articles or bylaws. However, a director elected by the board to fill the vacancy of a director elected by the members may be removed without cause by the members, but not the board.

(i) If, at the beginning of a director's term, the articles or bylaws provide that the director may be removed for reasons set forth in the articles or bylaws, the board may remove the director for such reasons. The director may be removed only if a majority of the directors then in office vote for the removal.

(j) The articles or bylaws of a religious corporation may:

(1) limit the application of this section; and

(2) set forth the vote and procedures by which the board or any person may remove with or without cause a director elected by the members or the board.

(k) For purposes of this section, "members" refers to members entitled to vote for directors.

HISTORY: 1994 Act No. 384, Section 1.