

BRITTON FALLS

by

Del Webb[®]

 THE PULTE HOMES FAMILY™

Transition Plan

Table of Contents

I. Introduction 1

II. Identifying and Organizing Transition Team Resources 3

 (~24 months to 18 months prior to turnover)..... 3

III. Determining the Structure for a Self-Governing HOA 4

 (~18 months to 12 months prior to turnover)..... 4

IV. Performing Due Diligence 6

 (~12 months prior and up to turnover)..... 6

V. Turnover Meeting..... 10

VI. Post Transition Wrap-up 11

BRITTON FALLS TRANSITION PLAN

I. Introduction

The Transition Plan consists of an organized and scheduled series of activities necessary to bring about an orderly and successful changeover of the Britton Falls Homeowners Association (HOA) from a developer-controlled Board of Directors (BoD) to a homeowner-controlled BoD. The transition period will begin approximately two years ahead of this changeover.

This plan encompasses the following activities:

1. Identifying and organizing the resources to perform the transition activities, along with the costs and schedule to accomplish them;
2. Formulating the structure and responsibilities and authorities for self-governing;
3. Developing and applying the criteria for acceptability of the responsibilities and liabilities being transferred;
4. Performing the due diligence necessary to ensure assets and liabilities are identified and understood; and
5. Establishing an agreement for any continuing responsibilities and commitments (i.e. Turnover Agreement).
6. Preparing for the Turnover Meeting, including the election of the Homeowner BoD

Turnover of the BoD from the Developer to the Homeowners signifies the crucial assumption of responsibilities with attendant liabilities, notably: serving as fiduciary, management and operation of the homeowner association; governance of the community; maintenance of common facilities and areas; acceptance of the condition of community assets; budget formulation and cost control; letting of service/equipment contracts or leases; promulgation and enforcement of rules and regulations and design guidelines; representing the homeowners to the city, county, and state governments, the continuing developer, and outside communities; principle information and communications source for the homeowners; provision of programs, such as lifestyle, special events, charter clubs, wellness and physical exercise, etc.; guidance and oversight of the property management roles and responsibilities; and others too many to mention here.

A formal Turnover Meeting will be held to transfer management of the HOA from a developer-controlled BoD to a homeowner-controlled BoD. The meeting will be set by the developer and is expected to occur when approximately 80-85 percent of the homes are constructed (i.e. 979 to 1040) of the currently planned total build-out of 1223 homes. The Developer BoD will resign and Homeowners shall install their own elected BoD at this meeting and assume responsibility and control for the HOA and its governance, obligations, properties, contracts, funds, and turnover agreement(s).

Each year, this plan will be modified and updated as we receive additional input. In addition, more specific actions will be identified and expanded details included. This should result in a fully developed transition plan by the time it is needed. At the current rate of home construction in Britton Falls (75 to 100 new homes per year), the 80% build-out is approximately 3-4 years from now.

BRITTON FALLS TRANSITION PLAN

Note: This document represents the fourth revision of the Britton Falls Transition Plan, which is updated approximately annually. Additional content has been added from homeowner input, lessons learned from other HOAs, organizations, documents, and resources, and from a clearer understanding of our own specific situation and requirements. This document has been consolidated and simplified to make it more understandable and useable.

Nearly all of the transition activities leading to turnover are believed to have been captured to date and organized under five teams as contained in this document. The work continuing throughout 2016 will focus on discussing and determining the structure of the self-governed HOA and developing detailed Statements of Work for the teams and contracted services. Then in 2017, the due diligence activities, deliverables, schedule, and resource requirements will be integrated and added to produce an overall, comprehensive Transition Plan.

Anyone with comments or suggestions should provide them any time during the year to either Gary Patterson or Joe Lamirand.

Submitted February 11, 2016

II. Identifying and Organizing Transition Team Resources

(~24 months to 18 months prior to turnover)

The following actions will put in place the necessary staffing, organization, resources, and schedule needed to conduct the due diligence and prepare for the turnover of responsibilities and control of the HOA BoD from the Developer to the Homeowners.

1. Define the transition organization, roles, responsibilities, charters, job positions, control, and authorities. Clarify the roles and reporting relationships between the Transition Team, Homeowners, Advisory Committee, and Pulte.
2. Develop Statements of Work, contract stipulations, and deliverables, schedule, and payment milestones for outside contracts and/or consultants to be utilized in the transition process.
3. Specify the qualifications needed in a Transition Manager and the process for their election (how?) or appointment (and by whom?) and how to replace (vacancy or forced—for what reason(s) and who determines?).
4. Develop a detailed, integrated timeline of activities with key events and dates.
5. Develop a process for tracking and reporting the status of transition activities.
6. Estimate the one-time and continuing (if any) costs associated with transitioning from Developer-controlled BoD to Homeowner-controlled BoD.
7. Establish accounting and control procedures for transition funds.
8. Get approval of projected transition costs and who pays for what.
9. Finalize transition plan with input from “all parties” involved and get their agreement on content, resources, and schedule.
10. Get transition funding phased into the budget.
11. Secure a Transition Manager for the duration.
12. Formally establish the Transition Team with homeowner volunteers to staff positions or consult.
13. Evaluate and select consultants (e.g., legal, finance, engineering) for transition.
14. Organize and assign staff to conduct due diligence activities.
15. Add property manager, Pulte representative (?) and Advisory Committee chairperson to the Transition Team, as and if appropriate.
16. Get an Advisory Committee member appointed to a non-voting seat on Developer-controlled BoD (paying particular attention to budgets, contracts, obligations, litigation, disputes, commitments, etc.).
17. Develop policies and procedures for the Modifications Committee (MC) and elect/appoint Homeowner(s) to the (MC).
18. Communicate plan, costs, schedule, and progress to all parties involved on a frequent basis throughout the transition process.

BRITTON FALLS TRANSITION PLAN

III. Determining the Structure and Functioning of the Self-Governing HOA

(~18 months to 12 months prior to turnover)

1. Develop the structure for a self-governing HOA and Homeowner elected and controlled BoD.
 - a) Ensure its development abides by applicable laws and our governing documents:
 - i) Covenants, Conditions, and Restrictions
 - ii) Articles of Incorporation
 - iii) Bylaws
 - iv) Design Guidelines
 - v) Operating Rules and Regulations
 - b) Determine the size of the BoD and what officers are needed.
 - c) Decide on how a property management firm will be utilized:
 - i) Reporting to BoD
 - ii) Reporting to a general property manager
 - iii) Determine how the Chateau staff, Maintenance, Lifestyle and any other directors operate and report in the HOA organization
 - iv) Distinguish their roles (including organizational reporting), responsibilities (e.g. contracts and leases), functions (e.g. lifestyle programs, maintenance, budgeting and accounting, banking, payments, rules & regulations, etc.), and authorities from those of the BoD.
 - d) Determine what committees are needed (e.g., a Modifications Committee, Compliance Committee, Election Commission, Advisory Committee/Subcommittees, Finance Committee, Capital Assets Committee, Maintenance Committee, Special Events Committee, Civic/Community Relations Committee, Lifestyle Committee, others) and how they should be structured and staffed (e.g., appointed versus elected Homeowners and procedure) and their reporting relationships, while ensuring independence and checks and balances.
 - e) Make use of volunteers from community:
 - i) Positions in support of the HOA and/or BoD
 - ii) Common Area Teams (e.g., for common area inspections, handyman repairs, and condition assessments, etc.)
 - iii) Staff positions
 - f) Identify the services that will need to be contracted/retained (e.g., legal, financial, engineering, maintenance, audits, etc.) after the transition.
2. Describe the roles and responsibilities.
 - a) Develop HOA BoD officer and staff job descriptions of duties, responsibilities, authorities, and interrelationships.

BRITTON FALLS TRANSITION PLAN

- b) Clearly specify the responsibilities and authorities of the property management company and staff.
 - c) Develop charters for support and independent committees.
 - d) Show clear lines of reporting.
 - e) Decide on delegating to one board member the authority to act on the behalf of the BoD on all matters relating to the duties of the property management company (Ref. Bylaws 3.20(d))
3. Describe the authorities.
- a) Describe limits of approval/authority to expend funds or make commitments.
 - b) Specify what types of plans, proposed changes to governing documents, obligations, contracts, and expenditures require prior homeowners' approval.
 - c) Define and document what constitutes operating expense, major expense, and reserve funding for both operating and capital, including responsibility for determination/ruling (independence is needed here).
 - d) Specify what appointments can be made, contracts awarded, and consultants hired.
4. Describe the checks and balances that will be used and how independence will be maintained.
- a) Identify what rights are to be reserved by the Homeowners.
 - b) Document the election process for BoD officers, staff positions, and certain committees, along with their tenures and means for filling vacancies and removal. Describe how voting and voting materials will be kept and confidentiality maintained.
 - c) Establish what payments or reimbursements can be made to officers and staff and how will it be determined and approved.
 - d) Identify which actions that must be authorized by the Homeowners.
 - e) Specify the conduct of annual audits: financial, condition assessments (physical and functional), etc.
 - f) Develop the checks and balances and independence between Homeowners, BoD, Compliance Committee, Modifications Committee, property manager, etc.
 - g) Determine who will be indemnified, for what actions, and for how much.
5. Obtain homeowners vote on new BoD structure, responsibilities, and authorities.
- a) Determine an appropriate electronic means to quickly solicit Homeowner input, opinions, and votes
 - b) Establish an Election Commission to manage the process of nominations, qualifications, schedules, methods and procedures, and voting, etc. for the Homeowners' BoD, officers, committees (?) and any other elected positions. (Ref. Bylaws Article 3.4)
 - c) This Election Commission may be charged with other significant items needing Homeowner direction for or ahead of the time of the Turnover Meeting.
6. Establish the means for conducting BoD meetings according to Roberts Rules of Order.

BRITTON FALLS TRANSITION PLAN

IV. Performing Due Diligence

(~12 months prior and up to turnover)

1. Management Team Activities:

- a) Lead, organize, and control all the teams in the accomplishment of the transition activities.
- b) Place contracts for consultants, experts, etc.
- c) Establish a records management system and storage location(s).
- d) Get a list of any developer “incentives” that will still be in effect at the time of the turnover and the developer’s plan and commitment to fund such incentives.
- e) Get copies of the following materials and place into records management system:
 - i) Developer BoD records, Board meeting minutes (Minute Book(s)), changes/revisions to the By-Laws, rules and regulations promulgated, and all other pertinent association documents.
 - ii) Official governing documents, supplements, amendments and pending changes.
 - iii) Articles of Incorporation and Certificate.
 - iv) Recorded Deed(s)
 - v) Any occupancy permits which have been issued.
 - vi) Rosters of Homeowner information (e.g., addresses, telephone numbers, sales, plans, specifications, style and décor choices, dates of occupancy, etc.).
 - vii) Employment, service, or other contracts to which the HOA is a party
 - viii) Any other reports, rules or regulations, or records of the HOA.
- f) Determine if sales office and realtors are properly and adequately informing buyers of community purpose and requirements, providing governing documents, describing homeowner compliance and responsibilities.
- g) Assess adequacy and needs of the new owner orientation.
- h) Develop an HOA BoD Members and Officers Handbook specifying their Roles and Responsibilities, along with pertinent Policies and Procedures for an Annual Orientation.
- i) Develop an Annual Orientation for new BoD Members and Officers on the Governing Documents and specify the process for how they become certified as having a competent knowledge of the materials.
- j) Negotiate handling of pending items and get agreement on carryover funding for unfinished builder items and deficiencies and promises.
- k) Determine if developer has promised or committed the HOA to future or continuing obligations, especially to the city or county.
- l) Check on adequacy of Verification of Occupancy Age documentation to HUD to ensure our continued exempt, age restricted community designation.

BRITTON FALLS TRANSITION PLAN

- m) With input from other teams, review and recommend HOA budget, future HOA obligations, major expenditures, and use of reserve funds for BoD approval through the Advisory Committee Finance or hairperson.
 - n) Develop a schedule for all transition activities and a timeline for the completion of specific reports (e.g. Engineering Report, Deficiency Study, Condition Assessment Survey, Reserve Study, Turnover Agreement, Punch List, etc.).
 - o) Identify activity and team interdependencies and roles (e.g. input, lead, review).
 - p) Develop a resource requirements plan for transition, which identifies the type and amount of resources (personnel, contracts, funds) needed and on what schedule.
 - q) Develop a Surge Plan to accomplish an accelerated transition in six months in case Pulte gives a shortened notice to end the Declarant control period.
 - r) Coordinate with Pulte a time and place for the Turnover Meeting. (Should this be the annual meeting? Or time when most homeowners are here?)
 - s) Draft the Turnover Agreement and reach understanding and agreement with the Pulte.
 - t) Developer provides a written “letter of notice” to each of the Homeowners designating the end date of the Declarant control period—i.e., the date, time, and place of the turnover meeting.
 - u) With Pulte, prepare (place, time, materials, etc.) and organize for the turnover meeting.
 - v) Communicate with all parties.
2. Finance Team Activities:
- a) Get copies of the following materials and place into records management system:
 - i) Financial report for the association—balance sheet and income & expense statement for the fiscal year to date.
 - ii) All tax returns and corporate filings.
 - iii) All previous budgets and financial records.
 - iv) Results of any financial audits performed to date.
 - v) Balance of association funds (or control of them), including bank signature cards.
 - vi) Insurance policies, along with the latest “annual review of insurance sufficiency.” Suggest needed changes. Coordinate with the Legal and Contracts Teams.
 - b) Perform audits: budgets, costs, reserves; monies due and owed; and account for all revenue and expenses. Determine that expenditures were properly made for association purposes and that the Developer’s contributions were as required. Determine how any delinquent accounts are being resolved.
 - c) Have an independent CPA prepare an annual financial statement (coordinate with Pulte so it serves both needs? Who pays?).
 - d) Ascertain that cost management practices and reporting adhere to the accrual accounting methods as specified in Bylaws, Article 3.2.1.

BRITTON FALLS TRANSITION PLAN

- e) Ensure proper separation of HOA operating funds from capital reserves and association funds from construction funds.
 - f) Determine current and ongoing financial obligation of Developer to the HOA.
 - g) Check property taxes for proper allocation between the HOA and Developer on common areas/facilities.
 - h) Review and ascertain our compliance with IN State and Federal laws on HOA financial requirements, such as record keeping, billings, receipts, budgets, reserves, information reporting/availability to Homeowners, etc.
 - i) Review and ascertain our compliance with IN State and Federal income tax filings as Non-Profit (?) or Tax Exempt (?) corporation; secure copies of all past filings.
 - j) Secure copies of all contracts and leases to which the HOA is a party.
 - k) Review existing management, maintenance, and service contracts and leases for appropriateness, satisfactory performance, disputes, billing, etc.
 - l) Recommend new, modified, or renewed contracts and timing (for current or future BoD approval).
 - m) Review insurance types and coverage for adequacy, including staff, employees, residents, visitors, contractors, public, etc., including Workers Compensation.
 - n) Determine that Property Management company's insurance coverage is adequate and secure a copy of their Insurance Certificate.
 - o) Notify contractors, subcontractors, suppliers, and service providers of any changes to billing submissions.
3. Legal Team Activities:
- a) Get copies of the following materials and place into records management system:
 - i) Any lease(s) to which the HOA is a party or any that implicates a responsibility/liability on the part of the HOA
 - ii) Titles to common areas; change of ownership on deeds, as needed
 - b) Review for current and pending disputes, lawsuits, fines, government actions (e.g., penalties, variances, compliances, etc.), title search for liens on property, land, or other assets used as collateral.
 - c) Get a list of any lease or grant easements, licenses, concessions or other rights with regard to any portion or all of the common areas (see CC&R, sec. 2.6).
 - d) Determine if any HOA real or personal property is being used to pledge, mortgage, or hypothecate as security for obligations of any sort.
 - e) Review deed restrictions and commitments made to state and local government agencies (e.g., use, transfer, ownership, use, maintenance, access, zoning commitments, etc.).
 - f) Ensure common areas/facilities deeds are all transferred to the HOA and are free and clear of liens.
 - g) Investigate and ensure absolution of HOA corporation of any legal suits, liabilities, and obligations.

BRITTON FALLS TRANSITION PLAN

- h) Secure a license agreement with Pulte for the use of Pulte and/or Del Webb signage, name, etc. (Ref. CCR, Article 17.6).

4. Engineering Team Activities:

- a) Secure the following materials and organize into a records management system:
 - i) Designs, specifications, and as-built modifications of architectural, structural, engineering, mechanical, electrical, and plumbing designs.
 - ii) Original specifications, indicating all material changes/substitutions.
 - iii) Designs, specifications, and as-built modifications of underground site services, site grading, drainage, easements, right-of-ways, and landscaping, parking areas, roads, walkways, retention system
 - iv) All association real and personal property, including an inventory.
 - v) List of builders, contractors, subcontractors, suppliers, and servicers involved in the construction of homes and common area fixtures and improvements.
 - vi) Product manufacturers and specifications for equipment and systems originally installed and subsequently modified.
- b) Determine what common areas items (e.g., walkways, streets, street lights, sidewalks, storm sewer systems, etc.) are “turned” over to the city.
- c) Determine where/what are the Public Right-of-Ways (Ref. CCR 4.16).
- d) Clarify the responsibilities with the City/County for maintaining roads, sidewalks, walking paths, street signs and lighting, etc.
- e) Locate, inventory, and reconcile all real properties and assets, including an assessment of their physical condition and functional adequacy. Estimate reconciliation cost and schedule to remedy or replace and identify responsible party. Identify any defects under warranty. Coordinate with Maintenance Team.
- f) Conduct a Deficiency Study to identify and estimate the costs to remediate any defects or noncompliance in design, construction, materials, functionality, and condition. Determine actions required and responsibilities. These findings must be separate from maintenance deficiencies. Provide findings to the Finance Team to determine impact on the operating and/or capital reserve budgets.
- g) Determine compliance with health, fire and safety, environmental, and other legal compliance regulations.
- h) Canvas homeowners for existing, common system (e.g. irrigation, water supply, etc.) and general home deficiencies that are not being addressed and are determine which should be included in the Deficiency Study.
- i) Ensure all items affecting the Site Development Plan are incorporated and any conflicts get resolved.
- j) Review and report adequacy of the capital reserve study in conjunction with Finance and Maintenance Teams.

BRITTON FALLS TRANSITION PLAN

- k) Secure and organize design drawings, specifications, bills of material, grading and drainage designs, underground services, list of contractors, warranties, as-built drawings, and operating, maintenance, service, and parts manuals, etc.
 - l) Develop and maintain punch-list of builder items to be finished.
 - m) List utility systems that the HOA will be responsible for maintaining and replacing.
5. Maintenance Team Activities:
- a) Understand and document the split of responsibilities (e.g., maintenance, replacement, funding, etc.) between the HOA and the city/county/utility companies, etc. (coordinate with the Engineering Team).
 - b) Get copies of the following materials and place into a records or maintenance management system:
 - i) Originals or copies of system and equipment manuals (e.g., operating, maintenance, service, parts, etc.) and warranties.
 - ii) Any other information relating to the repair, maintenance, assembly, or operation of equipment and properties.
 - c) Determine location, adequacy, and appropriateness of storage areas (internal and external) for tools, equipment, and materials. Describe deficiencies and remediation plans and costs.
 - d) Evaluate supply, adequacy, and availability of materials and spares (determine which are the HOA's vs. Pulte's). Provide a listing and estimate of items the HOA will need to procure.
 - e) Perform condition assessment surveys in conjunction with the Engineering Team.
 - f) Develop a list of any Developer responsibilities continuing after the turnover (e.g., one-year warranty on plants and trees and three-year warranty on final street pavement, etc.).
 - g) Determine if extended warranties are needed.
 - h) Set up a system and procedure to manage keys and activity cards.
 - i) Change security codes, PIN numbers, passwords, etc. where appropriate.
 - j) Relocate the flagpoles from the sales center to the Chateau.

V. Turnover Meeting

1. Receive a list of any or all activity cards outstanding to non-Homeowners. Receive keys and activity cards from Developer BoD, sales staff, and others, who no longer have a legitimate need.
2. Receive any information owed, but not previously delivered from Developer or set date for delivery.
3. Receive resignations of Developer BoD.
4. Install newly elected Homeowners' controlled Board of Directors.
5. New BoD conducts remainder of meeting. Developer and Homeowner BoD sign negotiated and contingent Turnover Agreement.

BRITTON FALLS TRANSITION PLAN

6. Celebrate! (If celebration is desired, get group to plan and coordinate.)

VI. Post Transition Wrap-up

1. Communicate with all parties, especially any follow-up items to those who could not attend the turnover meeting.
2. Report changes of new HOA BoD to:
 - a) Banks (accounts, signature cards, CD's, statements, etc.).
 - b) State of Indiana (legal documents (e.g., deeds, taxes)—change and record).
 - c) Secretary of State of Indiana (corporation and new Board members registration).
 - d) Contact information (names, addresses, telephone numbers, email, etc.), emergency contacts, letterheads, etc.
 - e) Service contractors.
 - f) Warranties, etc.
3. Establish committees and make appointments or initiate elections.
4. Initiate needed and desired changes to governing documents (e.g., CC&Rs, Articles of Incorporation, Bylaws, Design Guidelines, Operating Rules and Regulations, Standing Orders, etc.)
5. Initiate any desired new or modified contracts.
6. Make any needed changes to insurance policies.
7. Evaluate whether to continue with or change to a new community-wide website.
8. Evaluate whether to continue with or change to a new community-wide newsletter (if any).
9. Develop a Strategic Plan endorsed by the Homeowners on how to continue onward.
10. Develop a Site Plan for continual evolution of the community and to meet its interests.
11. Monitor compliance of contingent punch list items for Developer completion from the Turnover Agreement.
12. Support the Developer as needed in securing release of performance (?) bonds from the city/county.