

**MINUTES OF THE ANNUAL MEETING OF MEMBERS
OF
THE MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION**

October 18, 2003

PRESENT

Dick Love, President
Mary Jansing-Balگوoyen, Vice President
Marty Deggeller, Treasurer
Ellen Michaels, Director
John Steinhart, Director
Tom Bugary, Secretary and General Manager

WELCOME

The combined Annual Meeting of the Monterey Dunes Colony Association and the Monterey Dunes Colony Mutual Water Association was called to order by Dick Love, President, at 10:00 A.M., Saturday, October 18, 2003 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA 95012.

APPOINTMENT OF ELECTION OFFICIAL

It was M/S/C to appoint Bill Hoisington to preside over the tabulation of votes for both the Monterey Dunes Colony Association and the Monterey Dunes Colony Mutual Water Association. Bill accepted the appointment.

ROLL CALL TO DETERMINE QUORUM AND ELIGIBILITY TO VOTE

Bill Hoisington announced that the Association had 84 proxies in original format, (There were an additional 17 faxed copies of proxies given to the Board that were not used in the vote), which constituted a quorum of homeowners. Bill then read aloud the names of those homeowners who had not submitted proxies for either MDCA, or the Water Company. Unit #312 was present and gave a verbal proxy. Bill then asked if any homeowner present wished to revoke his/her proxy. None present revoked his/her proxy.

READING OF MINUTES FROM THE LAST JOINT ANNUAL MEETING OF MEMBERS

Dick Love asked if any member present wished to have the minutes of the last annual meeting read out loud. By majority consent, the reading of the last annual meeting minutes was waived. It was M/S/C to approve the October 19, 2002 Annual Meeting Minutes as written.

INTRODUCTION OF NOMINEES

Mary Jansing-Balگوoyen, Chairperson of the Nominating Committee, introduced the four nominees present at the meeting: Marty Deggeller, incumbent; Ellen Michaels, incumbent; John Steinhart, incumbent; and herself, incumbent. Mary also stated that a former Board member, Jeff Schwartz, was also nominated to fill the seat vacated by Dick Love. (Jeff Schwartz was unable to attend the Annual Meeting due to a family commitment). Dick Love asked if there were any other nominations from the floor. With no further nominations, Dick closed the nominations.

ANNOUNCE ELECTION RESULTS

It was M/S/C that the nominees, Jeff Schwartz, Marty Deggeller, Ellen Michaels, John Steinhart, and Mary Jansing-Balگوoyen be voted in as Directors for both MDCA and the Water Company.

PRESIDENT'S REPORT

Dick began by saying that this was the end of his five years serving on the Board of Directors, the last three as the President. He continued by saying that it had been both an interesting and enjoyable experience, mainly because he had an opportunity to work with some terrific people, Board members, Committee members, and Homeowners in general. Dick told the Homeowners that the Association is very fortunate to have so many experienced professionals that are willing to donate their time and their expertise to the Association. Dick told the Homeowners that a person that has made his job as President easy is the Association's Manager, Tom. When Tom was hired as the General Manager, Dick served on the interviewing committee with Bill Michaels and Jeff Schwartz. Tom was the first applicant; out of many that they interviewed, and after the interview, the committee all agreed that Tom was the man for the job. The Committee did, however hold other interviews because it was the right thing to do. After many interviews and narrowing down the field, no one came close to Tom in qualifications and experience. In the years since Tom was hired, he has exceeded the Board's expectations in every area and has proven invaluable to our rebuilding efforts at the Colony.

Dick continued by saying that we as an Association accomplished a lot this year. The oceanside boardwalks were completed, we converted from an underground TV cable system to individual satellite television systems. We installed water meters throughout the colony at each unit, replaced windows, decks, sidewall shingles, and continue to work through the bureaucratic process of drilling a new backup water well. Reports on all of these projects, as well as Committee reports and updates can be viewed on our website in the Board and Committee

Minutes Sections at www.montereydunescolony.com. This website is a good way to keep in touch with the Colony if you do not attend all the meetings.

One of the biggest tasks we tackled this year was the revision of the MDCA and Water Company governing documents. We needed to make quite a few changes to these documents in order to bring our CC&Rs and ByLaws in compliance with current California law. In addition, there were additional changes that had to be made to the documents to bring them in line with current policies and management practices.

Dick reminded all homeowners that our Reserve Plan is in the fourth year of an approved five-year budget. At the end of the 5th year, Dick told the homeowners that we will be facing another 5 or 6 years of significant Reserve Assessments to finish up the windows, doors, decks and sidewall shingles. The majority of the homeowners continue to support annual reserve assessments, as the funds are needed, versus funding a large reserve contingency through monthly homeowner dues. When the current 5-year assessment plan is completed, it will again be necessary to fund years 6-10. Our current reserve projections show that our annual special assessments will be approximately \$5,000 per unit per year.

In closing, Dick stated that the Board of Directors is dedicated to maintaining the quality of the Colony, and with the support of the homeowners, he is confident that it will happen.

OLD BUSINESS

Water Company

Tom was asked by a homeowner for the status of the building of the new well. Tom responded that the bottom line is that everything required by the County Planning Dept, and the Coastal Commission has been completed, turned in and we have a favorable Biological Impact Statement. In addition, the pendency on the common parcel, because of the television tower in the corporation yard which did not have a construction permit back in 1992, has been released, and all back fees paid. We are simply waiting for the Environmental Health Department to issue the permit. We continue to query the County in an attempt to get them to issue the permit and hope to have clearance soon.

Tom was also asked about the timing for the destruction of the South Well. Tom stated that he believes that the destruction of the South Well will be a condition of drilling the new well. He further stated that the same driller that will drill the new well will give us a bid on the South Well and this bid should have some efficiencies built into it because he will already be on-site with the necessary equipment to do the job.

Bill Hoisington stated that there is a well at Sea Mist Farms which is leaking from one aquifer to another, just like our South Well and causing cross-contamination, possibly contributing to the deterioration of our South Well. As soon as we get our new well drilled and destroy the South Well, Bill stated that he would like to pursue having Sea Mist destroy their inactive well to avoid future contamination of the deep aquifer.

NEW BUSINESS

Moonlighting for Owners Policy

Bill Michaels asked the status of the Employee Moonlighting Policy. Dick responded that at the direction of the Board, management has drafted a revised policy, which the Board will bring up for discussion, and hopefully for a vote at the next Board of Directors meeting. There are currently Association employees moonlighting for owners doing work that would normally require a licensed contractor, such as electrical and heavy plumbing work. Subsequently, if there were issues with the completed work, the Association could be held responsible regardless of any disclaimers or releases. The proposed resolution (policy) will state that employees can perform minor jobs for owners, i.e. landscaping, painting, general labor and chores, etc., during specific dates/times as long as this work does not interfere with normal Association employment. If the work requires a license, Association Employees will be prohibited from moonlighting for the homeowner in this area.

Dick explained that there is currently an MDCA rule that precludes noise-producing trade work on Sundays. The Board is looking at including Saturdays and Holidays in this noise prohibition, especially in light of numerous complaints from homeowners and guests concerning noise over the weekends. During discussion, Dick clarified for a homeowner that this proposed rule change will not pertain to homeowners doing small, odd jobs around their home, but would apply only to contractors, or handymen operating on the property. Homeowners employing contractors or handymen who violate this rule will be subject to incremental fines of \$100 per each hour that the work continues after Association management gives the initial stop order.

MDCA and MDCMWA Legal Documents

Marty Deggeller gave a verbal report regarding the progress of the CC&R and bylaw revisions. Marty told the homeowners present that the committee had worked very hard, with a lot of attorney input, to rewrite the Association and Water Company's legal documents. These rewritten draft documents have been sent out to the homeowners for comment. Marty stated that the Board of Directors would discuss the new documents at the next Board meeting which has been rescheduled for December 6. Marty suggested that there be at least another open meeting, or forum for discussion of the documents before the documents are sent to the homeowners for a vote.

Marty also suggested that all homeowners read these documents as if they were new documents, instead of trying to compare "old documents verses new documents", because it would be extremely difficult to locate each specific change that has been made in a comparable format.

Bill Hoisington commented that there was nothing more important to the Colony than the CC&R's in terms of our relationship with each other, "what we can do, and what we can't do. The CC&R's are like the Constitution of the Colony".

A homeowner at the meeting had the following comments regarding the proposed CC&R's:

- 1) Provisions in the new CC&R's allow the Board, (without a vote of the membership), to impose a special assessment on the membership of up to 5% of the budgeted gross expenses for that year. It was noted in discussion that this provision is made in the California Civil Code and it was the intent of the committee to follow the provisions of Title 6. The homeowner suggested that the 5% cap provision be written a little more stringent in our CC&R's to block future Boards from exercising this authority and imposing a reserve special assessment of this type. Another homeowner stated that this provision of the Civil Code could not be superceded, because the wording of the provision begins by saying *notwithstanding any contrary provision...* There was further discussion in this area with Marty finally stating that all comments would be reviewed and the provision reevaluated.
- 2) Provisions in the new draft requiring that any type of landscaping be approved by the ECC Committee. The homeowner felt that the ECC should not have authority over the landscaping in the inner courtyards of the homes and felt that the current language of the CC&R's in the area of ECC approvals seems a bit excessive. Marty responded that this article was not intended to apply to exclusive-use areas, but only to common areas, however there were some areas in the courtyards that are of concern to the ECC such as plants, trees, trellises, or plants that may be visible above the height of the courtyard fence. Marty said that the CC&R Committee will look at the wording and revise if necessary.
- 3) A homeowner commented that the new CC&R's state that the current as well as any future homeowner(s) are responsible for the maintenance/repairs/replacements of new roofs, walls and skylights, or any other changed portion of the buildings or add-ons. The homeowner asked if there were records on file? Will they be kept on file if the Association changed management companies? Tom responded that the Association already has the records of most of the previous homeowners who have added square footage to their residences and the records are readily accessible, either on file or computer. Tom also added that he is not a contractor, but an employee of the Association. Therefore, if he left the employ of the Association, the records belong to the Association and would stay in place.
- 4) A homeowner voiced a concern with the MDCA Bylaws, Article 9, Section 9.5, which reads "Any officer may be removed with or without cause by the Board". The owner stated that it requires a majority of homeowners to vote a member in as a director, but if you have three Board members who attend a meeting (a quorum of the Board) and two of them vote to remove a Director from office, that person will be removed from office. Another homeowner clarified this stating that the Board can remove any Director from office with a majority vote of the Board. The board member remains a Director (on the board), but is out of the office he/she held, such as the President, Vice President, etc. Homeowners vote in the Directors, therefore, only homeowners can remove Directors.

Resolution Concerning IRS Revenue Ruling 70-604

This Revenue Ruling was read aloud by Dick Love. The document stated that any unspent budget revenue of the Association at the end of the fiscal year 2002-03 be carried over into the next fiscal year. The purpose of this document is to transfer any unspent but obligated money into the next fiscal year without it being taxed. This resolution was M/S/C by the homeowners.

Board President

A homeowner made a motion for record that Dick Love be thanked for all his time and effort he put into the job of being Board President. The homeowner informed the membership that this was his last meeting as Board President and he will be missed. There was a big round of applause from the homeowners present at the meeting.

ADJOURNMENT

With no further business from the floor, It was M/S/C to adjourn the meeting. The next Board of Directors meeting is scheduled for Saturday, December 6, 2003 at 10:00 A.M.

ORGANIZATIONAL MEETING

Following the annual meeting, there was an organizational meeting to elect officers of the Board for the 2003-2004 term.

The Directors made the following appointments as Officers of the Board:

Mary Jansing Balgooyen	President
Ellen Michaels	Vice President
Marty Deggeller	Treasurer (Chief Financial Officer)
John Steinhart	Director
Jeff Schwartz	Director
Tom Bugary	Secretary

Respectfully Submitted,

Thomas J Bugary

Thomas J. Bugary, CMCA, CCAM
Secretary and General Manager