

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

October 19, 2002

PRESENT

Dick Love, President
Mary Jansing-Balگوoyen, Treasurer
Marty Deggeller, Director
Ellen Michaels, 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 10:11 A.M., Saturday, October 19, 2002 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA 95012.

APPOINTMENT OF ELECTION OFFICIAL

Without objection it was M/S/C to appoint Mary Jansing-Balگوoyen Inspector of Elections to preside over the tabulation of votes for both the Monterey Dunes Colony Association and the Monterey Dunes Colony Mutual Water Association. Mary accepted the appointment.

ROLL CALL TO DETERMINE QUORUM AND ELIGIBILITY TO VOTE

Mary Jansing-Balگوoyen asked if any homeowner present wished to revoke his/her proxy. One homeowner, Charlie Gardiner, unit #296, wished to revoke his proxy. Mary then read aloud the names of those homeowners who had not submitted proxies for either MDCA, or the Water Company. She then asked if any of these people were present and wished to give a verbal proxy. Homeowners, Gene and Norma Stokes, unit #294, gave a verbal proxy to the Board of Directors for both the Association and the Water Company.

The following report was given by the Inspector of Elections. After giving the report, it was M/S/C to accept the report.

- For MDCA, the number of members present and voting is one. The number of units represented by members present and/or voting by proxy granted to the Board of Directors is 94, or 78% of the membership.

- For the Water Company, the number of members present and voting is one. The number of units represented by members present and/or voting by proxy granted to the Board of Directors is 93, or 77%.
- Given these results of the vote of the membership, both MDCA and the Water Company have a quorum and the Board, a majority vote.

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 20, 2001 Annual Meeting Minutes as written.

INTRODUCTION OF NOMINEES

Mary Jansing-Balگوoyen, chairperson of the Nominating Committee, introduced the following nominees: Dick Love, incumbent; Marty Deggeller, incumbent; Ellen Michaels, incumbent; John Steinhart, new nominee; and herself, incumbent. 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, Dick Love, 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 is the end of his second year as President of the Board of Directors. It has been an interesting year with a very active and effective Board of Directors. He thanked the other Board members and gave a special thank you to Burke Critchfield. Burke served on the Board of Directors for a very long time, up to a few months ago when he retired from his business, moved to Washington State, and was forced to resign from the Board for health reasons. Dick went on to give special thanks to Mary Jansing-Balگوoyen, the current Treasurer of the Board. Mary signs all our checks and lends her expertise to the office and various committees on a frequent basis.

Dick thanked the Finance Committee, a key committee appointed by the Board of Directors to oversee the finances of the Colony and make recommendations to the Board on budgets as well as for some of our unbudgeted expenditures. The Finance Committee members are John Gentry, Chair; Mary Jansing-Balگوoyen; Frank Williams; John Magee; and Jim McFeeters.

Dick thanked Ellen Michaels, who is not only a Board member but is the chair for our Environmental Control Committee (ECC). The Committee consists of three members, Ellen Michaels, Jeff Schwartz, and Barbara Floyd. The ECC is critical because it ensures that architectural changes to the homes complement the design of the Colony as a whole.

Dick explained that the Board appointed two Ad-hoc committees this year, a CC&R Revision Committee and a Cable TV Committee. The CC&R Revision Committee consists of five members, Mary Jansing-Balگوoyen, Chair; Marty Deggeler; Russ Ryder; Ted Swanson; and Jim McFeeters. Dick stated that our CC&Rs are in need of major changes in many areas, some changes are to bring the Colony's documents in compliance with changes in the Civil Code, while other changes are needed because the CC&Rs conflict with current policies and were not updated with policy changes over the years. One of the biggest challenges for this committee was the insurance issue. This issue was quite complicated and it took many months of hard work to bring an amendment to the membership for a vote.

The Cable TV Committee consisted of two members, Dale Christensen and Jim Forster. The Colony has had several other committees addressing the cable issue; however it was not until Dale and Jim combined forces that we came up with a viable cable alternative. Dick thanked both Dale and Jim for all their hard work and stated that the satellite system we are now installing will provide modern technology to the Colony as well as provide homeowners with various levels of service, depending solely on what the individual homeowner wants.

Dick told the members that the Association was very fortunate to have so many homeowners who are willing to give their time and expertise to such a variety of issues regarding the Colony.

Next, Dick thanked Tom Bugary for making his job as the President of the Board easier, and for making such a big difference over the past three years as our General Manager. Additionally, Dick thanked the MDCA membership for their support and involvement.

Dick continued his report by stating that the Association had accomplished a great deal during the past year in the process of repairing the infrastructure of the Colony including decks, windows, boardwalks, siding, roads, and replacing our antiquated TV system. We have also developed a plan to restore our South Well back to operating status once we get the County to accept our proposed repair plans. This information is contained in previous minutes which are posted on our website @ www.montereydunescolony.com.

In his final comments, Dick reported that our reserve fund capital improvements plan is in the third year of a five-year plan and that it's important for everyone to remember that at the end of the first five years we will have completed about one half of the required reserve projects needed in the Colony. When the current plan is complete, we still have to fund years 6-10 with another assessment of somewhere near \$20,000 per unit. After that, we will have most major components repaired or replaced, however, another plan will be needed to address these replacements for years ten and beyond. Repairs to a place such as ours are constantly ongoing due to the nature of where we live.

OLD BUSINESS

A homeowner asked Tom if he could give the homeowners present an update to the south well repair project. Tom stated that we were currently waiting for one more bid from Landino Drilling before progressing with selecting a General Drilling Contractor to work with Halliburton on the repair. Tom told the members that he felt that the county would approve a modified repair to the well without inserting a sleeve in the well. The modified repair is to about 10 zones within

the 1350 foot well where Halliburton will shoot holes in the existing casing where salt water is believed to be entering the well from the upper zones, contaminating the lower zones with salt water. They will then squeeze a special cement through the existing casing, (by means of intense pressure), behind the casing wall, sealing the bad zones from the inside of the steel casing wall. Our consulting geologist believes that this repair will work and we should get quite a few years of use out of the well as a standby source of water, but no guarantees. After selecting a general contractor to work with Halliburton Energy Services, the repairs should go rather quickly. It looks as if the work will exceed the budgeted amount of \$100,000.00, and there appear to be considerable additional costs in disposing of both liquid and the “green” cement waste material. These additional disposal fees are new to the drillers and costing these fees has caused delays in the bid process. Tom told the members that this repair will be tricky and there is even less of a guarantee that the repair will work given the fact that we cannot insert a new sleeve in the existing casing as initially planned. He also reported to the members that the North Well is still scheduled to be destroyed at the same time as work is completed on the south well and additional fees for dumping “waste” material will also apply to the north well destruction project under the new environmental guidelines for the disposal of this waste material.

NEW BUSINESS

Dick McKelvey announced that he is organizing a dinner at the Moss Landing Café on November 16, 2002. He stated that we need at least 20 people to attend the dinner so that the owner of the Café can close the doors to the general public and allow only MDCA homeowners to attend. This is a great time for homeowners to mix and mingle and get to know each other. An initial e-mail regarding the dinner has already been sent out and Susie will be sending out reminder e-mails as the date gets closer.

Dick Love read the IRS Revenue Ruling 70-604 declaring for the purposes of the 2001 – 2002 and 2002 - 2003 tax years that excess revenue will be carried over into the new fiscal year. It was M/S/C to approve the IRS resolution as written.

ADJOURNMENT

It was M/S/C to adjourn the meeting. The next Board of Directors meeting is scheduled for Saturday, November 16, 2002 at 10:00 A.M.

ORGANIZATIONAL MEETING AND EXECUTIVE SESSION

There was an Organizational Meeting to elect officers for the 2003-2004 term and an Executive Session of the Board following the Annual Meeting. In compliance with California Civil Code Section 1363.05 the topic discussed in this Executive Session was Member Discipline.

Respectfully Submitted,

Thomas J. Bugary

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