

**COMBINED MEETING OF THE BOARDS OF DIRECTORS
MONTEREY DUNES COLONY ASSOCIATION
AND
MONTEREY DUNES COLONY MUTUAL WATER ASSOCIATION
MINUTES OF THE NOVEMBER 17, 2001 MEETING**

Dick Love called the meeting to order at 10:07 AM, November 17, 2001 at the Monterey Dunes Colony Clubhouse, 195 Monterey Dunes Way, Castroville, CA 95012.

Dick asked for a moment of silence in respect for the Floyd family whose daughter died this past week in her home in San Jose. Dick announced that in lieu of flowers the family has requested that donations be sent to the Family Violence Prevention Fund, 383 Rhode Island, San Francisco, California 94103. Dick said that there is also a memorial trust fund that has been set up for Cassandra's 4-year old daughter, Iman. Dick told the Board that he feels it would be appropriate for the Association to do something for Cassandra's daughter. Mary Balgooyen made a motion that the Monterey Dunes Colony Association make a contribution to the memorial trust fund set up for Cassandra's daughter in the amount of \$1,000.00, or approximately \$8.33 per unit. The motion was seconded by Burke Critchfield, and unanimously carried without discussion.

PRESENT

Dick Love, President - Burke Critchfield, Vice President - Mary Jansing-Balgooyen, Treasurer - Ellen Michaels, Director - and Tom Bugary, Secretary and General Manager.

ABSENT

Marty Deggeller, Director.

MINUTES

The Board reviewed the minutes from the September 15, 2001 meeting. It was M/S/C to approve the minutes as presented.

WATER COMPANY BUSINESS

Dick introduced Mr. Jeremy Wire, our consulting geologist who gave an update on the testing of the south well. Jeremy's report is as follows: "Just to bring you up to date a little bit, on the history of the south well, it is in the deep aquifer, as well as is the new well. In 1991 or 1992 after well # 3 (the new well) was put into service, the south well was rehabilitated because (at that time) it was having problems with poor quality water, kind of the ongoing problem we are experiencing now. The south well was rehabilitated bringing the water quality back up to where it should be, at least to acceptable levels. In 1999 it became evident that the water had deteriorated again in the south well, so much that Tom became concerned that there might be some kind of

problem developing. Basically, this past summer tests were completed, looking directly at the water quality, trying to figure out what was going on. In August, we ran an ultrasonic tool down the well to see if we could detect some sort of leak in the casing. We completed those tests and I reported on those results at the September meeting. The testing was completed by a company called Slumberger, which primarily does oil field work. I had their engineer take a good close look at (the test results) it, and he determined that, as I reported last time, that there were three or four places in the well where leakage from the shallower zones could be coming in and determined that this could be the source of our problem. However, we still weren't totally convinced that there possibly wasn't some kind of seawater intrusion happening very locally in the deep aquifer that would be affecting it, rather than water coming in from the shallower zones. At that point we talked about and subsequently have completed another set of tests, which involved pumping the well for about an hour and a half, taking a sample of that water, then we pulled the pump out, and then ran a sampling tool, a very specialized tool, down opposite where the water was coming in through the perforations from the deep aquifer, down to 1350 feet in the existing well, and then drew another sample from there. We also took samples from two wells in Castroville to use as background water samples of shallower zones. In addition, we took a sample of water out of the Salinas River for comparison. Conventional water testing showed that the water taken from the "thief sampler" (the sample tool lowered in the south well after the well had been pumped) was very close to the quality of the water before the water started going bad. It was also very close to the quality of the water in well number three, (the new well), (according to conventional analysis). We also did specialized testing called stable isotope testing. In other words we fingerprinted the water and these samples were sent up to a lab at U.C. Davis, and they looked at what's called the isotopes of oxygen and hydrogen as variants of these fingerprints starting with a baseline of saltwater, or seawater, and working our way back up to what we call meteoric water or basically rainfall. To keep it simple this testing shows pretty conclusive evidence as to what is going on", (Jeremy showed a plot chart concerning the different locations of the testing and test results). "Shown on the plot are the two samples one from well number 3, and the other from the south well down in the deep aquifer, near the perforations. The two samples are very close with similar characteristics."

(Jeremy continued the report by pointed out information on his plot charts from the two Castroville Wells, both in the 400-foot aquifer.) Jeremy stated, "These wells plot very close to what we call normal water, in other words, this is water from rainfall or near surface recharge so the water is showing fairly correct." (Jeremy showed a composite sample taken from the south well after one and a half hours of pumping.) Jeremy stated that. "The sample suggests that the south well water source was being influenced by some kind of seawater intrusion from one of the shallower zones, and not from the deep zone. In other words, the fingerprint of the deep water shows that there isn't a bit of evidence that there is any seawater intrusion in the deep aquifer itself. The water with the higher salinity is coming from some near-surface source, from a leak in one of these potential parts of the casing in question. These tests show pretty conclusively, along with the evidence that the water quality in the south well was much improved (after pumping and testing at the perforations) and was, in a sense, identical to what we had before, when the well was rehabilitated and pumping satisfactorily. Tests show that these weak areas (and there are at least 3 of them), are potential leak areas and one or

more of them is actually the culprit in this case. This lays to rest the question that we had at the last meeting, which is whether or not the deep water aquifer was subject to seawater intrusion. It is my opinion from the evidence, particularly from this isotope work, that there is no evidence whatsoever of deep aquifer seawater intrusion. This is consistent with findings in Marina and elsewhere that the deep aquifer has not been subject to any seawater intrusion. The source of our problem is from a leak from one of the shallower zones. That leads us to two options. One would be to abandon the existing well and drill a new one down to the deep aquifer and seal it just like we did with well #3 with a Halliburton Seal and all the bells and whistles. The other would be to put a 4 inch heavy duty casing, or liner as we call it inside the existing well and then have Halliburton come and cement that into place and the 4 inch casing would seal off all the points of leakage, and save the top portion of the casing so we could use the existing pump and it would pump as much as you are pumping out of that well right now. So, like I said, I think the testing is pretty conclusive now. I think the big question was whether the deep aquifer was in some way influenced by seawater and therefore why would we spend money going back down and trying to rehabilitate the well. I think that in my mind... this issue has been put to rest and now we have to decide which way we are going to go, abandon the existing well and drill a new one or do this rehab by putting a 4 inch casing inside the existing casing and go from there. That's where we are right now."

Dick Love asked Jeremy if he had a rough estimate of the cost for the two options. Jeremy answered that "For the liner scenario, again we talked about this last time, you are probably, \$100,000.00. To abandon the well, in itself would be about \$50,000.00 and probably another \$250,000.00 or a bit more to drill a new well. So you are probably looking at \$300,000, plus or minus to abandon the existing well and drill a new one verses somewhere around \$100,000.00 to rehab the old one. This is kind of where we sit at the moment".

Ellen Michaels asked Jeremy, if we fixed the well how long, in his opinion, will the well last? "Forever, or what?" Jeremy answered that "A good cement job, in other words to protect that casing using a heavy oil field material, what they call a P-110, a real heavy duty casing, probably another 20 years, maybe more. No one can say but with a good cement job a 'Good Halliburton' as they call it. They did the rehab before and they did the seal on the existing well, and that's why the water quality remains so good. It's a heavy-duty seal. People I talk to, experts say yes, they ought to get 20 or more years out of it. Eventually, down the line if you did need to abandon it, what we would do is to cement that in (the 4" casing) and it would be abandoned. Someday, physically you might want to drill another well and can easily abandon the south well, so we are not leaving any condition that will be a problem, 20 years or 30 years, when we are all out of the picture and somebody else has got to deal with it, they can abandon it and go forward with some other plan if they needed to, or if you just want to abandon it in the future you can. We are not leaving it on a condition that if we rehab this that it would be a problem down the line, it's just that down the road we might need to abandon this thing for whatever the reason."

Jeremy went on to say that the isotope testing "is a sophisticated technology that really has never been done before". Jeremy stated that to him, "this is pretty conclusive proof" you can see how the water, how close they (the test results) are, the water that

was taken directly opposite the perforations, (the south well), after running the pump for an hour and a half, versus the water out of well three, (the new well), I mean, they are almost identical. This really shows that there is no indication of seawater intrusion in the lower aquifer. In my opinion, it is proof positive that we do not have a seawater intrusion problem in the deep aquifer and we are free to exploit that however we want, whether we drill a new well or rehab the old one.”

Tom asked Jeremy if the (isotope) mapping was similar between the south well and the new well and since they were in the same aquifer, why was there a significant difference between the total dissolved solid count, (in ppm) and in the chloride counts between the two wells? Tom asked that when we retested the well under Title 22 testing requirements, going down 1350 feet with the “thief catcher” and we grabbed a liter of water, why was there a TDS count of approximately 500 ppm in the south well verses under a hundred in the new well? Jeremy answered that we have always gotten a higher count out of the south well, even when the well was rehabilitated, “bear in mind that the old well, the south well is perforated differently than well number three, (the new well). The south well was dug much deeper than the new well, for one thing, and we are testing water a little shallower in the south well and these opened zones are areas we would not have tested in well number three, (the new well). When the well was rehabilitated, our current tests are about where we were then as to the quality of water”. Tom asked whether this explanation would also account for the difference between a chloride count of 46 in the new well verses about 150 ppm showing up in the south well. Jeremy replied that this was about what the test count was after the rehab in 1995. “Remember that we are testing more zones in the south well verses a more restricted area in the new well”. Jeremy said that when they drilled the new well, they drilled only to the good zones and only took the best water zones. Tom stated that historically we had a deeper well in the south but after an industrial accident where a bit was stuck in the bottom of the well in 1995 our well was only down to 1352 feet, with the perforations between 1300 and 1352, therefore, we only have 50 feet or so in perforations from which to draw water, something similar to that of the new well. Jeremy said that this wasn’t the case as “you still have the gravel pack and everything else so if you pump on it...you get the deeper water residuals.”

Dick Love asked that if we go down with a sleeve, can we go to the same location that we are at with the new well? Jeremy replied “Yes, we will go down about 1300 feet but will probably still not get as good water as that of the new well.”

Tom stated that there is a significant difference in the quality of water between the new well and the south well. They are both within the safe drinking water standard but there is a significant difference. The new well produces exceptional water.

Jeremy replied that “It may be that once we get a really good seal and seal off all these potential leaking areas in the casing that the water quality may get better but I don’t think that I can say that, I can only say that we can bring it back to where it was in 1995 after it was rehabbed... and I think that you are blending the water with the new well.”

Tom asked where Jeremy would recommend the 4” casing start? Jeremy said that we could keep the submersible in the 7” casing somewhere where it is now. Tom stated that he was concerned that reducing the casing down to 4” would overdraw the aquifer

with the current pump operating at 150 gallons per minute. Jeremy replied that we could still get 150 GPM with the 4" casing installed.

There was a discussion on matching different size pumps with different casings and water pump rates.

Tom asked Jeremy if he really thought that if we rehabilitated the well we could get 20 more years out of the well. Jeremy replied "I think so, yes", basically the casing of the old well is not in that bad shape.

Tom said that the Sea Mist well is not that far away and it has deteriorated considerably over the year to include a high chloride count. Jeremy replied that again, the Sea Mist well is perforated differently and pulling off of the upper aquifers.

Dick Love asked Jeremy: "We have the present well, which is perforated. You are going to put this sleeve down the middle, do you seal these two pipes together so that there is no chance of the water from the old perforations working it's way down to where we are drawing from as we bring the water up to the surface". Jeremy replied that "If you can visualize, we have an existing 6" pipe going down and then a screen section below that, open with perforations in it. So what we would do is put the 4" down and on the bottom of the pipe there is something like a basket which the cement will go down to and that will pack against the wall of the existing casing and we may even elect to perforate the existing case where we take something like a shotgun charge to shoot holes in the existing casing so the cement can be squeezed inside of the existing casing making a good seal. We will seal the casing all the way up to the top or wherever we decide to bring it up to."

Dick said that if Jeremy was so confident about the quality of the water in the deep aquifer, an investment of \$100,000.00 to rehabilitate the well verses \$300,000.00 to drill a new one was good business. Jeremy stated that the next step was for him to write a memorandum to Tom summarizing that we have done just about every test possible, and we are at a point where there isn't any more testing that we can do. "Therefore you need to make a decision on what you want to do".

Tom said that after the Board were to decide a course of action, we would then bring the County Health Department into the picture and ask them for a permit, and then go from there. Tom said that in his opinion the County would set the conditions for the repair of the well and we would have to comply.

There was a discussion on the permit process. Jeremy said that the bottom line is that we sit down with the county and present a plan for repairing the well and they give us suggestions on how best to repair the well.

Dale Christensen, Unit 300 asked about the condition of the casing that extends down below the area where we put the 4" sleeve. Dale asked if this extended (existing) casing will also last another 20 years or so? Jeremy replied that "The casing in the perforated area is made of stainless steel and could probably be cleaned and should probably last another 20 years or so."

Dick Love said that at the same time that we work on the south well, we plan to cap the north well, which is way overdue. Jeremy said that we prepared a plan in 1997, which can be put into place, and doing both the capping of the north well and rehabilitating the south well at the same time could save us some money.

It was M/S to authorize the repair of the south well and to recap the north well at the same time as the south well is repaired. During discussion it was noted that Jeremy would write a memorandum summarizing the extent of the repairs and work with Tom in dealing with the County Health Department, and to solicit bids for both the rehabilitation of the south well and the capping of the north well. The motion carried by a unanimous vote of the Board.

Dick Love instructed Tom to start moving quickly on this rehab, and to include the Health Department in the process quickly. Jeremy stated that he felt that things will go rather quickly now that we have a plan to move forward on.

Dick asked Tom to give a brief report on the recent inspection the Colony received by the Monterey County Health Department, (Environmental Health). Tom said that on Wednesday, November 7, four inspectors from the County, and a State-level Environmental Health Specialist visited the Colony and performed a Water System Inspection. The inspection lasted over 3-1/2 hours and was quite in-depth. Some areas covered in the inspection were:

- an inspection and evaluation of the new well, all maintenance and testing procedures.
- a physical inspection of the Colony Distribution System; a review of as-built plans, chlorinator, chemical distribution and testing, water storage tanks and associated apparatus, emergency power and fire pump systems, fire hydrants and distribution system cutoff valves.
- an inspection of the south well to include: review of current testing procedures, disinfection and maintenance procedures of the well site while under maintenance, an inspection of the well head, sand separator and back flow prevention devices.
- an inspection of the MDCA annual Cross Connection Inspection Program.
- a roundtable discussion concerning the disposition of north well, operational plans for the transfer or destruction of the well and the schedule for the completion of this destruction.
- discussions concerning the disposition of the south well and the well's future as our second water source, the option of replacing it, and other methods of obtaining a second water source such as reverse osmosis. Other areas discussed involved the County's future involvement in any retrofit, or destruction of the south well and our compliance with any County permit requirements.

There were areas where we did not meet county or state-level expectations such as the destruction of the north well. Most operational areas were up to/or exceeded County and State requirements. A compliance report on the findings is pending.

TREASURER'S REPORT

Mary Jansing-Balگوoyen prepared a written report and presented it as follows: "This report covers our fiscal year budget status through October 31, 2001. Account balances as of October 31, 2001 are: Union Bank Reserve - \$382,197, Union Bank Operating – \$76,753.13, Union Bank Investment Account - \$3,491.01, two Union Bank T-Bills totaling - \$215,312.67, one CD that is due February 4, 2002 in the amount of \$100,000. which is for reserve expenses later in the fiscal year. The Community Bank Petty Cash - \$800.55 - The Union Bank Water Company Operating - \$9,518.63, and Union Bank Water Company Reserve - \$54,645.47. Payments to the Capital Replacement Fund (\$16,320 per month) are current. Payments to the Mutual Water Association (\$3,316.80 per month) are current".

FINANCE COMMITTEE

John Gentry stated that the Finance Committee met this morning at 8:30 AM, and reviewed the budget through October, four months into the fiscal year to date. John said that we seem to be pretty much on target. John stated that in business this morning the committee authorized the purchase of a new copier in the office for about \$5,000.00. This was an unbudgeted expense but it was necessary. The funding for this copier came out of our reserve contingency funds. The reserve budget and projects are right at expectations to date.

ENVIRONMENTAL CONTROL COMMITTEE

Ellen Michaels said that the ECC last met on October 12, 2001. The committee was due to meet yesterday but couldn't because we could not get a quorum for the meeting.

1. -Unit 262's ECC request was disapproved but has since been resubmitted. We will go over this amended request at the next meeting.
2. -Unit 338's ECC request was approved.
3. -Unit 122's request was approved.

ADHOC CABLE COMMITTEE

Dick asked Dale Christensen to give a committee status report of his research to date.

Dale started the briefing by introducing Jim Forster, the other committee member. Dale said that although the committee is prepared to give a report as to where they are today, ultimately, the committee is seeking further guidance from the Board on future directions. Dale said that his charter was to provide alternatives to our cable system, in other words to try and come up with ways that will get us out of the cable business. The background or reasons the Board wants out of the cable system is that the current system is over 25 years old, has a high failure rate, is of poor quality, and is expensive to operate.

Committee assumptions:

1. -That we can come up an alternative to our current cable system and at what cost.

2. -That the national providers are probably our best alternative.
3. -The precedence probably dictates some kind of continued level of support to the homeowner, however this remains a Board decision.
4. -A proliferation of “little dishes” hanging off our roofs is perceived as undesirable.

Dale stated that it was difficult to communicate with “National Providers”. The Committee ended up working with approved contractors who work specific territories. National Providers provide programming; local approved contractors provide installation and maintenance. Dale said that in dealing with local contractors, he found that most are small and for the most part, unsophisticated.

The committee determined that maintaining the head-end system is not practical at least when considering it relative to other alternatives from a standpoint of cost, and that the rules that have been established nationally by the FCC are definitely not in the favor of the Association.

The Association collectively, is very limited as to television services, much more so than if homeowners were to privately contract for satellite services. The best the Association could probably get for local programming from a National Provider is the “West Coast Feed”, a signal brought up from the Los Angeles area. The Association could then receive LA stations along with National Programming.

The committee reported that they did get quotes from both Dish and Direct TV, and that both quotes would require that the Association upgrade it’s connections, or cabling in all of the units. Local contractors could support 1-dish per structure with separate receivers in each unit. (Dale commented that, “from an aesthetics point of view this approach was much more desirable than a dish on each unit” and that he was pursuing this as an option for Board consideration).

(There was a discussion concerning the possibility that Dish Network might buy Direct TV, and the speculation as to whether or not the FCC would approve this acquisition).

The Committee provided the following quotes from both Dish and Direct sub-sub contractors. The Committee did not feel these were final negotiated amounts.

Direct TV:

With all new wiring in all units, (living rooms only) new coaxial cable, new antennae, interconnects, multiplexers, diplexers, etc. @ \$33,000.

With one bedroom included, an additional \$18,000.

Dish:

\$40,000 bedroom and living room cabling and interconnects but no antennas, no multiplexers, no diplexers, just wiring. The committee chair reported that he was having some trouble working with this contractor so he didn’t push the negotiations any further at this point until he could put some commonality between the two bids.

The Dish contractors are basing their bid on about \$75.00 per outlet, (per connection).

The Committee reported that some local programming was available via a piggyback antenna that is fixed to the installed dish. The quality of that reception remains to be determined.

(There was a discussion concerning available stations, local and national and types of programming available).

The Committee reported that if the Association were to choose a satellite option, there was a type of dish available to send and receive messages for Internet access at DSL speeds. That same dish can be used to provide TV programming for the units. This system will be at an additional cost for those who want that service.

(There was a discussion concerning this type of premium dish, its capabilities and configuration options). The Committee Report did not have all the answers to this upgrade dish but members felt that there might be an issue with using more than one computer at a time for each antenna.

Committee Recommendations:

The Association should provide homeowners with some sort of satellite capability, via dish and broadcast piggyback antennae combination. Offering this service would also allow the Association to control the proliferation and placement of these antennas.

A homeowner stated that this technology is changing so rapidly that we might want to postpone signing up for current satellite technology and suggested that the Association survey the membership to determine the personal desires of the homeowners. Dick commented that the committee was only presenting research at this point.

There was a discussion concerning the Telecommunications Act of 1996 as it pertains to the Association, the aesthetics of having a satellite dish on every home, the Association's responsibilities concerning supplying some sort of television service to homeowners, the cost of putting in different variations of the proposed options, (in-wall verses exterior cabling), and the use of additional equipment such as multiplexers.

The Committee Chair reported that the Association had the option to take advantage of what is called a Multiple Dwelling Unit cost structure. That means the Association would be buying in volume and would get the programming cheaper. A setback to this option is that the programming and participation are subject to rigid rules and restrictions. Dale said that he needed to look at these options a little harder, but the packages were not that attractive.

The Committee did not recommend that the Association select and provide the programming.

Committee Recommendations:

1. The Association facilitates the infrastructure so that the homeowners can get the programming that they want.

2. If the Association were to terminate our current head-end system, that it have some sort of alternative in place.
3. The Association continues to negotiate issues with local contractors to include maintenance issues.

There was a discussion concerning types of services available, obtaining additional cost structures, and methods of presenting options to the general membership. There were additional comments concerning the aesthetics of having one satellite dish on each unit, verses a limited amount of dishes, strategically placed throughout the colony to obtain the same effect, and the visibility of the associated wiring. There were also comments from members present concerning Board responsibilities in making these types of decisions verses putting a decision such as this out for a vote of the membership.

The Board asked the Committee to continue with their negotiations but to negotiate both a standard and an in-wall installation. It is the consensus of the Board that homeowners should be able to get the configuration and programming that they want. The Board asked the Committee Chair to report any additional findings to the Board at the January 2002 meeting.

Dick thanked the Cable Committee for all the hard work.

Management Summary

ASSOCIATION

Deck and Fence Replacements

Over the past few months, management has focused on deck and fence replacements in lieu of window allocations due to a shortage of acceptable window stock from the manufacturer, however, with this problem resolved, we are now shifting our focus back to the window program. I anticipate completing the 25 decks identified for replacement this fiscal year.

Window Replacement Project

As of November 17, 2001 we have identified and allocated 184 of the 218- windows/sliding glass doors for replacement in fiscal year 2001-2002. Some of these allocations are through Carl Black and Starritt Construction, while the majority are being replaced by in-house carpenter teams. 78 windows are now installed and complete as of November 17th. The remaining 34 allocations will be identified, as units are re-evaluated. Most of these remaining allocations will be for west facing windows/sliding glass doors.

Facility Repairs

Four west-facing windows in the men's shower room are scheduled for replacement early next year. These windows cannot be repaired and water leaks have caused wall and window frame damage.

Fireplace Inspections, 2001-2002 Season

Cypress Sweeps Chimney Service has completed this year's fireplace inspections and cleanings. The Association had 5 units that were red tagged during this year's inspection process. Tom said that the units were sealed with plastic wrap to prevent leaks into the unit and that affected homeowners have already been sent certified letters of the results of the inspection. There was one unit that was not inspected due to scheduling conflicts. As directed, management has sent this homeowner a certified letter requiring him to have his unit inspected within three weeks and to supply the Association with the results of the inspection. There was a discussion concerning homeowners that have not repaired their fireplaces from previous year's inspections and the Association's responsibility to follow up on these repairs. The Board discussed charging the homeowners for the maintenance of keeping their units sealed until they have finally made repairs or replaced the fireplaces. The Board directed that Tom again notify all homeowners who have not repaired or replaced unserviceable units in years past of their responsibility to replace this system, and that their fireplace has been sealed off at the roofline because of the danger that their fireplace poses to their home as well as to adjoining homes.

Boardwalk Replacement Project

The boardwalk project continues to move forward despite losing another carpenter assistant from the project. We are at unit 240 and continue to progress northward. I am in the process of hiring two additional people to work on this project in the hope of making up for some lost time. This project remains behind schedule.

Oceanside Exterior Outlet Replacement Project

David's Electric and Association Maintenance Staff have completed the exterior outlet project.

New Hires:

Over the past 4-weeks we have interviewed over 30 applicants for positions as carpenter assistants and carpenters. Ultimately, we will hire 3 new carpenter assistants and one new carpenter in order to keep up with projected reserve work.

WATER COMPANY

South Well Update

We had a report on the status of the South Well earlier in the meeting by Mr. Jeremy Wire.

Water System Inspection

I reported on this item during the south well update.

Additional Notes:

Management has collected telephone directories from on top of the unit mailboxes where Pacific Bell put them a couple of weeks ago and has stored them temporarily in the Association's administrative office. Last year, these books were ruined due to seasonal rains and our absentee homeowners were forced to order new books for their units. Homeowners who wish a new phonebook for their homes can come to the office and pick one up during business hours.

The swimming pool is closed for the season.

OLD BUSINESS

Insurance Update

Dick asked Tom to give a brief report on where we are with researching the possibility of changing the language in our CCR's to bring it current with Association policy.

Tom prefaced his report by stating we had received an update from our attorney the evening before and he had not had time to fully understand the comments and recommendations of Sandy Bonato, one of the attorneys at Berding and Weil who was working the issue.

A few months ago one of the units in the Association experienced a leak, inside the home. The homeowner called their HO6 agent who came out to the unit to inspect the damage. The agent asked to meet with the General Manager and after examining the CCR's, made it very clear that if the damages to the floor coverings were in excess of the Associations deductible, he could file a claim against the Associations master policy. This was the second HO6 agent that felt there was a conflict between our CCR's and our Association's internal Policy for responsibility and insurance coverage. The Board directed Tom to research this issue with our attorney and with our insurance agent. Our attorney responded by stating that our internal policy was not in conflict with our CCR's, however, in order to accomplish the intent of the Association's internal Insurance Policy drafted by the Insurance Committee back in the fall of 2000, we needed to change insurance-related language in our CCR's to eliminate any possible misinterpretation as to the intent of the Association concerning insurance responsibilities.

Tom reported that any change to our CCR's will require a vote of the homeowners, however there are numerous related issues that are surfacing, concerning these changes, that are also being addressed at this time.

NEW BUSINESS

No new business

ADJOURNMENT

With no other business, the meeting was adjourned at 12:15 P.M. The next Board Meeting will be on January 19, 2002 at 10:00 A.M.

Respectfully submitted,

Thomas J. Bugary

Thomas J. Bugary, CCAM
Secretary