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MINUTES OF THE REGULAR MEETING OF THE BOARD OF TRUSTEES OF LUDLOW MAINTENANCE COMMISSION, INC.

January 10, 2009 – 9:00 a.m. – Bay View Room

Trustees: Jim Boyer, Vaughn Bradshaw, Ian Feltham, Hugh Jenings, Jr., Stan Kadash, Paul Moseley, Art Moyer, Jerry Nelson, and Elizabeth Van Zonneveld.

President Boyer called the regular board meeting to order at 9:03 a.m. Roll call was conducted by Secretary Bradshaw. All trustees were present with the exception of Trustee Jenings. Also in attendance were General Manager Brian Belmont and Bill Hansen, acting Parliamentarian.

Approval of Minutes: *Trustee Kadash made a motion to approve the regular meeting minutes of December 13, 2008. Trustee Feltham seconded the motion and the motion carried unanimously. 09-01-01*

Trustee Moyer made a motion to accept the budget ratification member's meeting minutes of December 13, 2008. Secretary Bradshaw seconded the motion and the motion carried unanimously. 09-01-02

President's Remarks: President Boyer announced a workshop will be held at the Beach Club on Saturday, January 24, 2009 at 9:00 a.m. The agenda will be an open conversation on the direction of the community, planning and development, future designs, and any and all questions that anyone would like to address. Representatives from PLA, including Diana Smeland and Randy Verrue will attend. Larry Smith may also join them. The workshop is open to all residents. PLA would like to help the community create a joint working venture on future development in all the areas around Port Ludlow, and would like to work with the community before they make final plan decisions and put forth project objectives that the community would not agree with.

President Boyer stated the day before New Year's Eve he went to the recycle center in Port Ludlow. He saw that all the bins were filled and people were starting to throw trash everywhere around the area. He returned two days later and helped people from Skookum try to clean up wine bottles, cans and other trash. President Boyer suggested to Voice Co-editor Bev Brown that an announcement be placed in the Voice in the November 2009 issue, to ask people to hold their recycling because of the Christmas volume. This year was a little unique because of the snow and some equipment difficulty, but President Boyer stated he was frankly appalled that the people in our neighborhood threw trash everywhere and would not have the courtesy to take it home for a couple of days.

Agenda Changes: President Boyer asked if there were any changes to the Agenda. The Door of Grace Easement Ad-hoc Committee was moved, with the trustee's unanimous agreement, to follow the Greenbelt Committee report.

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Manager's Report – Brian Belmont

The trustees have been provided a draft of the December 31, 2008 financial statements. The final year-end entries will be made next week with assistance by Jon Froula, LMC's accountant. After the entries have been completed, Mr. Belmont will provide copies of the revised reports to the trustees and the Finance Committee. As of today, LMC has collected approximately 41% of the 2009 annual assessments. There are still four outstanding assessments from prior years owed for a combined total of \$4,013.08.

During this upcoming week there will be at least three additional general contractors onsite preparing proposals for the locker room floor drain project. A fourth bid may also be coming in.

I would like to recognize and thank LMC member Grant Smith for donating a used printer that will be connected to the public computer located in the Gazebo. Mr. Fred King, who is not an LMC member but lives in South Bay, donated a Tunturi R701 Air Rower which is a rowing machine. The unit is in excellent condition and is a good quality piece of equipment. It will be added to the exercise room. LMC appreciates their generosity.

Following a walk-through with the manufacturer and the installer earlier this week, installation of the new heat pumps for the swimming pools is scheduled for the second or third week of February.

Discussion followed related to printer supplies. Mr. Belmont said use of the printer in the Gazebo will be monitored for a time before any decision is made.

COMMITTEE REPORTS:

Architectural Committee (ACC) –Trustee Bradshaw for Sharron Sherfick, Chair

Trustee Bradshaw read the following report addressed to the board from ACC Chair Sharron Sherfick.

The ACC met on December 8, 2008. Due to inclement weather, the December 22, 2008 ACC meeting was cancelled. As a result, the meeting minutes from December 8 will not be approved until the next scheduled meeting on January 12, 2009. Copies will be provided as soon as possible following the next meeting. Two cases of noncompliance were referred to the Board of Trustees, and an application for new construction was approved for Lot #2-1-54 – 201 Montgomery Lane, during the December 8, 2008 meeting. Ted Buehler, chair of the Greenbelt Committee, and I had an introductory meeting earlier in the month. He introduced me to the workings of his committee and we discussed future collaboration on applications that involve both of our committees. As of this Friday, no date has been set, but we look forward to a meeting this month with Dwayne Wilcox and his committee members, to begin discussions on the guidelines regarding trees and views. Due to cancellation of the December 22, 2008 meeting, we were unable to review the draft of our committee's Policies & Procedures, as mentioned in my memo of December 10, 2008. This will be on our agenda for the January committee meetings, in hopes of finalizing the document this month.

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Trustee Moyer asked if the trustees will receive a packet of information for the executive session. President Boyer stated Mr. Buehler is in attendance as is Steve Siegiel. Mr. Siegiel said he is putting together a packet which includes most of the ACC material.

Covenants and Regulations Committee (CRC) –Dwayne Wilcox, Chair

Mr. Wilcox reported the CRC has a proposal to present to the trustees related to the differences noted between the LMC Articles of Incorporation and the Bylaws. Before submitting the proposal to the trustees, Mr. Wilcox asked the trustees to approve sending the proposal to the LMC attorney for his opinion, to make sure the proposal content is legal and acceptable. Mr. Wilcox stated the committee had made changes they felt would be acceptable.

Mr. Wilcox and ACC chair Sharron Sherfick have been trying to set up meetings between the ACC and CRC to exchange ideas as to how they can coordinate requests made by the trustees. A meeting has been tentatively scheduled for some time next week. A report on this meeting will be provided at the next board meeting.

Discussion followed.

Trustee Van Zonneveld made a motion to accept the request made by the CRC to send the CRC's proposal draft that relates to the conflict between the LMC Articles of Incorporation and Bylaws to the LMC attorney for review and comment. The motion was seconded by Trustee Moyer. Discussion followed. Per input by Parliamentarian Bill Hansen, this matter was tabled until the trustees are provided with a printed copy of the CRC proposal draft.

Communications Committee (CC) - Barbara Berthiaume, Chair

The meeting date for the CC has been changed to the Thursday preceding the monthly board meeting.

The CC is currently working on the March issue of The Navigator. The committee is reviewing what articles will be included and will poll the board for input for the coming newsletter. March 4, 2009 is the deadline for articles to be submitted to the communications chair and March 11, 2009 is the date a draft of The Navigator will be distributed for board review. The goal for obtaining board approval of the newsletter material is March 14, 2009. The preceding dates were selected to provide enough time for the LMC ballots to go out to the members, to allow review of the information, particularly in regard to the candidates running. The CC has been a part of the Ad-hoc Election Committee. They have met and are trying to streamline the instructions to make the ballot as user-friendly as possible, to encourage the membership to read the simplified directions. The goal is to make sure everybody knows that every vote is important and we want their participation. The CC is working on a draft of the committee's Policies & Procedures. When completed, it will be forwarded to the CRC for review and then to the trustees for approval.

Several training sessions will be held outside the CC meetings on communication skills. The goal is to evaluate if this kind of resource is useful to a broader LMC community. The next CC meeting will be on February 12, 2009 and everybody is invited to attend.

Trustee Moyer discussed his objection to articles in the Voice that are based on opinions rather than facts. He suggested a point-counter-point article be used. Trustee Moyer stated he felt we

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are hurting the relationship with our members if we do not present facts rather than opinions and presented the rationale for his objections. In response, Ms. Berthiaume stated she had submitted Trustee Moyer's article to Voice co-editor Bev Brown and explained from her perspective the goal of the editor for the North Bay news is to convey news of LMC's general activities. The same principle is applied to The Navigator, the LMC newsletter. With The Navigator, the CC consults the board because there is more time for review. Ms. Berthiaume further explained that the President's Message column is different than the committee summaries, manager's report, and board highlights as those are factual things that actually took place. The President's Message is based more on the elected leadership's vision and thoughts rather than facts. Discussion continued. Ms. Berthiaume stated the trustees need to agree on how they wish to present themselves in the Voice and asked that the trustees provide her with some direction. Lengthy discussion continued. President Boyer asked John Van Zonneveld if he would allow Trustee Moyer to use the financial forum in the upcoming issue of the Voice to spell out factual finance detail about the status of the club and its future needs. Mr. Van Zonneveld said that would be OK.

Finance Committee (FC) – John Van Zonneveld, Chair

Mr. Van Zonneveld reported that after almost four years, it was discovered the General Manager's role in the purchasing of materials and services has not been defined. The committee and the Board of Trustees have a proposal before them to grant the General Manager the power to purchase materials and services necessary to continue the operation of the LMC facilities. This concept has been unanimously approved by the FC and they are now asking for approval by the Board of Trustees to send the proposal to the CRC for their assistance in drafting a final policy for trustee approval. Mr. Van Zonneveld stated this matter needs to be clarified in the event of an emergency, for example. Discussion followed.

Trustee Moyer made a motion to accept the Finance Committee concept for first reading and pass it to the CRC for review. Trustee Bradshaw seconded the motion. Lengthy discussion followed. The motion carried unanimously. 09-01-03

Mr. Van Zonneveld reported the LMC finances were discussed at their last meeting and the FC made a decision to recommend continuing their existing conservative policy of investing in government backed securities, despite their current low interest rates.

Greenbelt Committee (GBC) – Ted Buehler, Chair

Mr. Buehler reported the GBC has a plan in effect to clean up some of the greenbelt by generating assistance from the members and by trading work for firewood. They are also identifying members who would be willing to use sweat equity to clean up their areas of greenbelt with help from the GBC. The list of volunteers is starting to grow in both areas and Mr. Buehler felt that with the budget approval they would be able to come up with a good plan to start the project.

Lee Amundson, from the Drainage District, reported on a drainage issue in the greenbelt that runs from Rainier down to Oak Bay junction. The design for that effort will begin next year with the idea of going in there and working on it until 2010. Mr. Amundson discussed the problems with excess water on North Bay streets during a big storm. They will attempt to keep the water within the greenbelt and not let it get out except at the bottom. The engineering will be done

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next year with money from the Public Works Department at ½% interest. In 2010 the Drainage District plans to borrow construction money and they will have 20 years to pay it back.

Mr. Amundson requested the Drainage Commission be notified before any work is done in the greenbelt that involves the possible change of water flow. He stated that basically the greenbelt is the drainage easement and that is what it is for. Mr. Buehler stated he had discussed this matter with Commissioner Walt Cairns. Mr. Amundson stated that when the engineering had been completed, they would notify the GBC to inform them of exactly what the Drainage District was going to do.

Trustee Van Zonneveld discussed the need to develop an access road into that drainage basin for fire purposes and stated the GBC needs to go further in finding long-term access into that section. She suggested making this matter a priority and discussing it with Commissioner Amundson during the process of the design.

Door of Grace Easement Ad-hoc Committee – Ted Buehler

A summary of the last Ad-hoc Committee meeting was provided to the trustees. Mr. Buehler reported Kevin Hunter had been contacted to give him some direction as to what direction the homeowner's survey was going. Of the 274 responses received to date, 187 indicated their choice would be to sell the entire greenbelt. Trustee Van Zonneveld stated her opinion that a survey provides options. It does not tell the community how they should vote. Trustee Van Zonneveld expressed her opinion that because the survey stated the Ad-hoc Committee's recommendation, she does not believe it has any validity. Trustee Kadesh agreed. Discussion continued. President Boyer stated Mr. Hunter has requested the trustees have an up and down vote on whether or not LMC will approve or consider just an easement for ingress and egress through the greenbelt.

Kevin Hunter addressed the trustees and stated he felt that a reasonable person reading the survey would see that it was leading to a particular and specific conclusion or strong recommendation. As a result, he stated he was not surprised by the results of the survey. Mr. Hunter provided background on his request to the County for ingress and egress, and explained the Door of Grace's position on purchase of the greenbelt property and other issues related to development of the Osprey/Oak Bay Road property. Mr. Hunter stated the Door of Grace Center is asking for a vote with a written letter of the board's decision, to allow them to go forward.

Lengthy discussion followed.

President Boyer stated there was some basic language for a motion to be sent to the Ad-hoc Committee, to approve an easement with attorney's fees, costs, etc. Mr. Hunter is aware of this language which includes a use or purchase fee. Also included are supplemental assurances of liability, insurance and maintenance of the greenbelt area – basically a hold harmless agreement for LMC. If this goes back to the Ad-hoc Committee now, there is still some ambiguity in what they would be trying to deal with in the size and scope of the project and how they could express it to bring it back to the board. With time being a consideration, President Boyer explained that in order to give Mr. Hunter some bargaining leverage with the County or at least a position to start, the trustees can take a vote as a board as to whether or not we would allow just a simple driveway access through our membership property.

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Discussion continued.

Trustee Moyer made a motion to return this matter to the Ad-hoc Committee, to meet with Mr. Hunter and whoever else he wishes to bring, that the board is not going to go in the face of the survey where two-thirds have said that they want to sell it. For lack of a second, Trustee Moyer's motion failed.

Discussion continued.

Trustee Van Zonneveld made a motion that the board make a decision to instruct its Ad-Hoc Committee to develop an easement, in principle, with costs, attorneys and recording fees, as well as an easement purchase fee that is undetermined, and the applicant will also be responsible for liability and maintenance and other associated costs. Trustee Kadesh seconded the motion. Lengthy discussion followed. The motion failed 2:6 with Trustees Boyer, Bradshaw, Feltham, Moseley, Moyer, and Nelson opposed. 09-01-04

Trustee Boyer made a motion that the trustees grant a driveway only access off Osprey Ridge Road across our member's property to access his development. The motion was seconded by Trustee Van Zonneveld. Discussion followed. The motion failed 0:8 09-01-05

Trustee Kadesh made a motion that the president be instructed to send a letter to the Door of Grace Christian Center stating that we have been in negotiations for some time, that we have reached an impasse and it does not seem possible to grant access through LMC private property to the Door of Grace Christian Center. Trustee Nelson seconded the motion. Discussion followed. The motion carried 5:3 with Trustees Bradshaw, Moyer, and Moseley opposed. 09-01-06

President Boyer stated when a draft of the aforementioned letter has been prepared; it will be provided to the trustees for review and comment. Discussion continued.

The meeting went into recess at 11:05 a.m. and reconvened at 11:13 a.m.

Operations Committee (OC) – Brian Belmont for Chair for Jim Goode

The OC was tasked by the trustees, along with the Finance Committee, to look at the long-term and short-term rental fees schedule and to review if these fees are justified. This topic has been discussed at two OC meetings and they have come to the following conclusions:

- The Beach Club and other LMC facilities are private and jointly owned by LMC members.
- The payment of an annual user fee for both long and short-term rentals is consistent with LMC's contract membership program.
- LMC members who choose to rent their home/condo are eligible to purchase an annual user fee, which allows a renter(s) access to the LMC facilities.

Conclusion: The Operations Committee is in agreement that the current long and short-term user fee is justified.

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Discussion followed. Finance Committee Chair, John Van Zonneveld, announced the Finance Committee was in agreement with the Operations Committee's decision.

Trustee Kadesh made a motion that the Operations Committee's decision related to the long and short-term rental user fee, as stated, be accepted by the board. The motion was seconded by Trustee Nelson. Lengthy discussion followed with participation by a member in the audience who owns two properties that are rentals. Trustee Kadesh called for the question. The motion carried by unanimous vote. 09-01-07

Mr. Belmont reported the OC is continuing to look at carpet samples to replace the carpeting in the Bay View Room, lobby, offices and stairwell. One bid has been received and several other bids will be obtained.

Last month several pieces of gently used furniture were purchased for the Gazebo. Cost was \$350. They fit in well with the existing furniture.

There are two property maintenance issues that are being followed by the OC.

Discussion followed. A thank you letter will be sent to Mr. Fred King for his donation of a rowing machine.

President Boyer announced items e. and f. on the agenda were in limbo until the upcoming executive session.

CORRESPONDENCE: President Boyer reported he had received some private responses related to his message in the Voice. Secretary Bradshaw reported he had received two items of correspondence that were directed to the trustees, one from Kevin Hunter and the other from Dale and Peg Williams. In regard to the J. Johnson/Bergren issue, a written response will be sent. Brian Belmont reported a letter had been received from Mr. Fessler's attorney and this will be addressed in executive session. The letter received from Dale Williams is pertinent to the Fessler matter and will be addressed following upcoming decisions by the trustees.

NEW BUSINESS:

2009 PLA Facilities Agreement – Brian Belmont – For many years the resort has had an agreement with LMC to allow short-term renter guests that are handled through their rental pool to use the facilities at the Beach Club. The agreement, a six page legal contract, is renewed on an annual basis. Discussion followed as to whether or not LMC requires such a legal document for the units in the rental pool that are managed by PLA. The trustees will review the agreement contract with PLA and this matter will be placed on the February agenda.

Trustee Moyer made a motion for LMC to offer PLA the current agreement contract for 2009. The motion was seconded by Trustee Van Zonneveld and carried unanimously. 09-01-08

UNFINISHED BUSINESS:

Volunteer Resource Committee – Barbara Berthiaume announced Jamie Bima is the chair of the Volunteer Resource Committee and she will work to solicit volunteers.

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Election Committee Membership – Mr. Belmont reported the committee had recently had their first meeting. They are working to revise some of the language on the ballot proxy form. There are several other things to be addressed but the ballot proxy form has priority at this time.

Board Goals – Status Report – Tabled until February 2009.

Member Comments – None at this time.

Articles of Incorporation/Bylaws Differences - Trustee Moseley stated on review of the CRC's proposed draft during the break, it was his opinion the document did not bring any more clarity to him as to what it is we are seeking, and what changes need to be made to bring our bylaws and articles into agreement. Mr. Belmont explained the draft document provided to the trustees for review did not contain editing corrections. The CRC intends to prepare a version showing strike-through of proposed deletions and underlining of proposed new text that can be sent to the attorney and used by the board for a final review prior to approval and placing on the ballot. There are some significant changes, but the current draft presented to the trustees was clean to allow people to read it without trying to figure out all the editing changes.

Mr. Belmont continued - The proposal would delete all language from the Bylaws that duplicates language already in the Articles of Incorporation. That information would be left in the Articles. The provisions left in the Bylaws (as shown on the second page) are what were not covered in the Articles. These address requirements for amending that particular section of the Bylaws and for capital assessments. In the articles, instead of two paragraphs (a) and (b), the committee thought we should create a third paragraph to clarify some of those provisions. Because the Articles of Incorporation already had an amendment provision of a 34% quorum, and a simple two-thirds affirmative vote of the condos and lot owners to amend the Articles, the CRC wanted to make sure that what was removed from the Bylaws would keep the high threshold of the Bylaws intact. For this reason, Section C. was created and it requires a two-thirds affirmative vote of the participating lot owners and condo owners, but also that the quorum requirement for that vote is 50% of the votes of the corporation. The CRC tried to keep the protections in place for the membership, while trying to clear it up so that it is not in two places saying the same thing, contradicting each other, in some respects.

President Boyer inquired if LMC needs to have the attorney look at this to give us a tangible document by our next meeting to get it on the ballot. Mr. Belmont indicated direction is needed as to what the amendment requirements will be to amend the articles and the bylaws because of the high thresholds that are already in place. At this time the CRC is requesting this draft document be sent to the LMC attorney.

Trustee Moyer made a motion to bring the previously tabled motion--to send the CRC's proposal draft that relates to the conflict between the LMC Articles of Incorporation and Bylaws to the LMC attorney for review and comment--off the table. The motion was seconded by Trustee Bradshaw and unanimously carried. 09-01-09

Trustee Van Zonneveld made a motion to accept the request made by the CRC to send their proposal draft that relates to the conflict between the LMC Articles of Incorporation and Bylaws to the LMC attorney for review and comment. The motion was seconded by Trustee Moyer. Discussion followed. Trustee Van Zonneveld amended the original motion to include sending the attorney the previous attorney opinion, background information, and to obtain his opinion on

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the vote count requirements for adoption. The amendment was seconded by Trustee Moyer. Discussion continued. The amendment to the previously made motion by Trustee Van Zonneveld carried unanimously. 09-01-10 The original motion carried 7:1 with Trustee Moseley opposed. 09-01-11

Insurance Risk Management Recommendations (policy changes) – 2nd Reading - Mr. Belmont announced there is nothing new to report on this matter.

Member Comments: None.

Trustee Bradshaw made a motion to recess the meeting for the purpose of legal discussion in executive session at 12:02 p.m. The motion was seconded by Trustee Van Zonneveld and carried unanimously. 09-01-12

Vice President Van Zonneveld, in President Boyer's absence, reconvened the regular meeting at 1:14 p.m.

Trustee Bradshaw made a motion that the corporate secretary will write a draft letter, with circulation to the trustees prior to mailing, to the Fessler's attorney (Norbert Law Firm) and the Fesslers, acknowledging receipt of the attorney's letter and making any additional comments as appropriate. The motion was seconded by Trustee Nelson and carried unanimously with Trustees Jenings and Boyer absent. 09-01-13

Vice President Van Zonneveld made a motion to send a letter to the Port Ludlow Drainage District Commission, including a copy of the Fessler's attorney's letter to LMC, and ask for clarification of their position and knowledge regarding drainage in that area. Trustee Moyer seconded the motion and it carried unanimously by those present. 09-01-14

In response to a question by Trustee Moseley, Trustee Bradshaw stated his intention was to include in the letter to the Fessler's attorney, a suggestion that they contact the County about runoff onto their property since the LMC has no property between the road and their house.

Vice President Van Zonneveld announced on the agenda for the regular meeting today there were noncompliance issues referred to the trustees by ACC for Lots #2-3-196 and #2-3-197. Vice President Van Zonneveld will contact President Boyer to put together a draft letter for review by the trustees.

Vice President Van Zonneveld adjourned the regular meeting at 1:16 p.m.

Respectfully submitted,

Vaughn Bradshaw, Secretary
Ludlow Maintenance Commission, Inc.

Prepared by Carol Shamhart
LMC Recording Secretary