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

Saturday, January 19, 2008 – 9:00 a.m. – Bay View Room

Trustees: Vaughn Bradshaw, Ted Buehler, Ian Feltham, Stan Kadesh, Paul Moseley, Art Moyer, Jerry Nelson, Sonny Sanzaro, and Elizabeth Van Zonneveld.

President Bradshaw called the regular board meeting to order at 9:00 a.m. Roll call was conducted by Secretary Nelson. Trustee Kadesh was absent.

Approval of Minutes: Trustee Buehler made a motion to approve the regular meeting minutes of December 15, 2007. The motion was seconded by Trustee Van Zonneveld and carried by unanimous vote. President Bradshaw abstained. By a motion made by Trustee Van Zonneveld, seconded by Trustee Buehler, and unanimously carried, the executive session minutes of December 15, 2007 were unanimously approved as submitted. President Bradshaw abstained.

A motion was made by Trustee Van Zonneveld to approve the special meeting minutes of January 10, 2008, as submitted. The motion was seconded by Trustee Buehler and passed by a majority vote with Trustees Moyer and Moseley and President Bradshaw abstaining.

Minutes of the special meeting for budget ratification on December 15, 2007 were tabled to allow review by the trustees.

President's Report: President Bradshaw reminded the audience that board meetings are routinely recorded. He further explained the meetings are held to conduct the business of LMC, but limited input from members in attendance is welcome following discussion by the trustees. Remarks from the audience are limited to once per agenda item, for a 5-minute period. President Bradshaw asked participants to state their name prior to addressing the trustees and to wait until recognized before speaking. If comments become repetitive or too lengthy, President Bradshaw will need to interrupt to complete the business at hand. Members may make additional comments at the end of the meeting. As a standard practice, President Bradshaw announced he will abstain from voting unless there is a tie.

Agenda Changes: President Bradshaw asked if there were any changes to the Agenda. There were none.

Manage Report – Brian Belmont

Mr. Belmont's written report is filed with these minutes. Questions and comments followed.

The trustees have been provided financial statements through December 31, 2007, following the year-end adjustments with the LMC CPA on January 18.

Outstanding assessments to be collected are \$2,803.72 (including late fees). Year-to-date assessment collection is approximately 68% of the 2008 assessments. Late payment fees will be added to delinquent accounts on February 15.

APPROVED

Mr. Belmont explained the current problem with the deteriorated P trap in the lower level furnace room floor drain and four floor drain P traps in the men's locker room. At the very least the concrete floor will need to be cut and new P traps installed. Hiring a company to further inspect the sewer lines by using a camera will be considered following further assessment of the problem.

On January 11, a plumber was hired to unplug the sewer line at Kehele Park. Someone attempted to flush large amounts of paper towels down the toilet. This is suspected to be a malicious act rather than an accidental act. Cost was \$235 to clear the lines which included removal and resetting of the two toilets.

The indoor pool boiler was recently repaired following discovery of pinpoint leaks. Pool downtime was minimal.

Rick Shelton has been hired as a part-time maintenance employee, to work Saturday and Sunday mornings, opening the Beach Club. He will begin training on Monday, January 21.

Jon Froula, LMC CPA, has provided LMC with a Letter of Engagement for preparation of the association's 2007 Federal Income Tax and year-end Financial Statements.

Discussion followed.

Trustee Feltham made a motion to accept CPA Jon K. Froula to act as LMC's accountant, to provide the LMC Financial Statements for 2007, prepare the 2007 Federal Income Tax Return in accordance with the American Institute of Certified Public Accountants. Mr. Froula will not audit, express an opinion, or provide any other form of assurance on the accuracy of the financial information provided to him by the LMC. Trustees Nelson and Moyer seconded the motion and it was passed unanimously with President Bradshaw's abstention.

Trustee Moyer addressed the current LMC Facility Rental Policy of charging \$1.00 per person for use of the Beach Club by persons not belonging to groups with reciprocal privileges (example: Knitwits Group). Discussion followed. By a motion made by Trustee Moyer, seconded by Trustee Feltham and unanimously carried with President Bradshaw abstaining, the matter will be referred to the Operations Committee for further study and investigation.

COMMITTEE REPORTS:

Architectural Control –Veronica Ryan

Report not received as of 1/21/08 (cs).

The ACC has completed the final construction package. Copies will be provided to the trustees and CRC next week.

Volunteer ACC secretary, Peggy Manspeaker, has resigned. She will continue to work for two additional months or until a new secretary is found.

Discussion followed.

APPROVED

Communications Committee – Barbara Berthiaume (interim chair)

Report not received as of 1/21/08 (cs).

Ms. Berthiaume thanked David Goudie for his work in laying out the most recent issue of the *LOG* and everyone who worked on the project. An editor for the *LOG* is still needed.

Discussion followed.

Covenants & Regulations Committee – Terry O’Brien for Catherine Garrison (interim chair)

Report not received as of 1/21/08 (cs).

The committee discussed the idea of regulation for trees and views of undeveloped lots. The trustees assigned review of this matter to the CRC several months ago, but there are issues that require further clarification and the committee feels they need additional direction from the board.

Discussion followed.

The committee reviewed Regulation V, Article III (3), Agreement to Arbitrate. Following correspondence from counsel, the committee feels that arbitration is still an option and available if both parties wish to proceed in that manner. Hence, a regulation is not required and the committee recommends that the trustees remove this regulation. Discussion followed. Trustee Moyer made a motion to remove Regulation V, Article III (3), Agreement to Arbitrate. The motion was seconded by Trustee Van Zonneveld. Lengthy discussion followed. The motion was passed by a majority vote with Trustee Sanzaro opposed. President Bradshaw abstained.

Finance Committee – Bill Funke, Chair

The Finance Committee’s written report is filed with these minutes. Questions and comments followed.

The Finance Committee voted to optimize the interest income on short term (operating funds) investments. CD’s offer the best rate of return at this time and laddering of CD’s will be accomplished to handle cash requirements throughout the year. Interest rates are down, minimally, at this time.

In consideration of anticipated costs related to the Beach Club drains, a portion of the reserve funds will be kept in relatively short term accounts at approximately 4.3%.

In consideration of FDIC insurance for bank accounts, CD’s, etc., a second account will be opened at Edward Jones, specifically to handle the flow of operating funds and to put those funds in multiple CD’s that are covered by FDIC insurance.

Trustee Feltham made a motion to accept CD investments in the American Marine Bank and Washington Mutual Bank. Signatories on these investments shall be three of the four LMC

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board officers. Two signatures are required to take any future action on the investments. The motion was seconded by Trustee Moyer and carried unanimously with President Bradshaw abstaining.

Trustee Feltham made a motion to authorize the opening of a CD stock account with Edward Jones for investment of the LMC operating funds. Signatories on the account are to be three of the officers of the LMC board, President, Vice President, Treasurer. The motion was seconded by Trustee Van Zonneveld and carried by a majority vote with Trustee Buehler and President Bradshaw abstaining. Discussion followed.

Greenbelt Committee – Jack Rikken/Larry Scott

The Greenbelt Committee's written report is filed with these minutes. Questions and comments followed.

The GBC has determined that existing GBC procedures adequately define their controlled program for management of the greenbelt areas in compliance with the Jefferson County Critical Areas criteria. The committee will submit a cover letter for submission of the GBC's procedures and request elimination of County review and permitting for each request to the GBC for tree removal and vegetation management in areas designated as critical by the county.

Planting arrangement maps for the North Kehele Park project in partnership with the Operations Committee are being developed for review to provide scope and direction for possibly a spring planting.

Discussion followed.

Operations Committee – John Van Zonneveld

Mr. Van Zonneveld's written report is filed with these minutes. Questions and comments followed.

The Emergency Response Group has requested after-hours access to the Beach Club in the event of an emergency. Following discussion, it is recommended the Trustees approve a lockbox system be created to provide access to this group in case of an emergency.

The tennis sub-committee presented a draft of their report to the Operations Committee at their meeting on January 8, 2008, for review and comment. The matter will be discussed at length at the January 22, 2008 Operations meeting before submittal to the trustees.

Trustee Buehler made a motion that in anticipation of the Operations Committee's tennis court recommendation, an ad hoc committee be established to develop a ballot to determine the membership's feelings regarding the use of LMC facilities by non-members. The motion was seconded by Trustee Moyer. Lengthy discussion followed. Trustee Sanzaro called for the question to end the discussion. Discussion was ended by a vote of 4:2 with Trustees Moyer and Van Zonneveld and President Bradshaw abstaining. The original motion failed by a vote of 3:4 with Trustees Sanzaro, Feltham, Van Zonneveld and Moseley opposed. President Bradshaw abstained.

APPROVED

Further discussion continued.

Lot Owners Association – Lenetta Johnson

The LOA will submit a slate of candidates for the LMC board and the LOA board in April 2008. A forum will be held in late March, prior to the ballots being sent out, to allow LMC members to get to know candidates interested in serving on the boards. Anyone interested is asked to provide the LOA with a brief biography. Time for the forum and other pertinent information will be sent out in the LOA Bulletin. Mr. Belmont suggested a deadline for candidates be submitted by mid March, to allow preparation of the ballots at the end of March.

Condominium Associations – Jerry Nelson – Elizabeth Van Zonneveld

The annual meeting for Admiralty I will be held on January 26, 2008 at the Beach Club in the Bayview Room.

The annual meeting for Admiralty II will be held in the Gallery Room at the Beach Club on January 26, 2008.

Port Ludlow Village Council – Larry Nobles

Greg McCarry has sold his home and resigned as President of the PLVC. Lynn Gauche is the newly elected PLVC President.

A representative from the State Department of Health spoke at the PLVC January meeting about potential water shortages and the long term need for additional water rights. There is no shortage of water at the present time and none anticipated in the next 6-10 years. Whether additional water rights will be needed prior to final build-out will have to be addressed later.

The Olympic Water and Sewer Company recently received approval for a 6-year water plan, as required by State law. An appeal has been filed in the Thurston County Superior Court by Bert Loomis, challenging the State's approved of this water plan.

Beach Club Remodel Ad-hoc Committee – Art Moyer

Trustee Moyer explained the problems related to remodel of the Beach Club. This item will be removed from the Agenda until further notice.

Voice Newsletter Ad hoc Committee – Ted Buehler

Trustee Buehler explained the successful outcome of discussions between the ad hoc committee and the Voice Editors. Trustee Van Zonneveld made a motion to accept the ad hoc committee's report. The motion was seconded by Trustee Nelson. Discussion followed. Trustee Moyer made an amendment to include in the last sentence....this document is a record of the meeting and does not constitute a legal contract. This would be followed by.accepted by the LMC Board of Trustees. The amendment was seconded by Trustee Nelson. The amendment passed by a majority vote with the abstention of Trustee Sanzaro and President Bradshaw. The original motion, as amended, was passed unanimously with the abstention of President Bradshaw.

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Trustee Buehler expressed his appreciation to Ross Robson for his participation in bringing this matter to a conclusion and to the Ad Hoc Committee for their work.

President Bradshaw called for a 4 minute recess at 11:26 am.
The meeting reconvened at 11:30 am

CORRESPONDENCE:

Secretary Nelson reported three letters had been received. Lengthy discussion followed.

A letter was received by the owners of Lot 6-0-011, requesting assistance from LMC in securing utilities to their property and/or asking to be excused as LMC members. Secretary Nelson read the reply letter that was drafted by President Bradshaw. This letter explained the inability of LMC to remove Lot 6-0-011 from the association and the rationale for this decision. President Bradshaw further explained LMC is prohibited from getting involved in owner disputes that are purely private disputes that do not impact the LMC and its members. Trustee Nelson made a motion to accept the letter as drafted and it was seconded by Trustee Moyer. Lengthy Discussion followed. Trustee Van Zonneveld made an amendment to approved the letter and at the same time consider Mr. Boyer's request for sponsorship under Articles of Incorporation Article VI, Section C. The motion to the amendment was seconded by Trustee Moyer. Discussion continued. By a majority vote, the original motion as amended was passed with Trustees Moseley and Feltham opposed. President Bradshaw abstained. The original motion to approve the letter was passed by a majority vote with Trustee Moseley opposed. President Bradshaw abstained.

Trustee Sanzaro made a motion to send a copy of the Boyer letter to LMC counsel of record for further comment. The motion died for lack of a second.

Letters from Peggy Manspeaker, Terry O'Brien, Robert Schreyer, and Trustee Sanzaro were recognized and discussed.

UNFINISHED BUSINESS:

Resort Revision Mediation & Appeal – presented by Trustee Van Zonneveld: The Decision from Jefferson County Appellate Hearing Examiner Phil Olbrechts in the matter of the Port Ludlow Associates Major Resort Revision was issued January 8, 2008. Highlights of the Decision follows:

Private Covenants: The AHE ruled that the County's role in the permit process and therefore his authority does not include private covenants. He points out that the ACC compliance, membership in LMC by new plats, claims of violation of the rights of Ludlow Bay Village owners, are matters to be settled between the private parties.

Storm Water: The Decision leaves final consideration of storm water control in the hands of Jefferson County, stating that the development is governed by the terms of the Development Agreement. However, there is still some concern that County standards will allow approval of infiltration in the storm water management system under Jefferson County's Public Works approval. Port Ludlow Drainage District has design review authority over work in its jurisdiction and this review has been made a condition of approval in the Decision.

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Ownership of Trails: The issue of Trails was raised by LMC but PLA succeeded in diverting the AHE's understanding of the issue to trails along the waterfront, an area LMC did not appeal, since we have not testified about waterfront trails during hearings. No easement can be taken without approval of LMC's Board over LMC common property. LMC should consider the matter of such trails, or pathways and prepare a statement to be adopted by the Board stating its requirements for location, design, materials, maintenance requirements and liability release in advance of PLA's Binding Site Plan and public hearing process.

Loss of Recreational Amenities: The Final Decision sustained LMC's concern about loss of recreational amenities and spelled out in more detail that the recreation elements being lost to the proposed development of Admiralty III must be replaced and dedicated. There is no precedent for compensation by the developer for maintenance costs after dedication, and he is unable to grant this request. Additional conditions are placed on the Decision to require that park facilities be replaced with facilities for activities similar to those being lost including as many of the original recreation amenities as space allows. This matter will be subject to submittal of a binding site plan for Admiralty III condominiums, which will require public comment, allowing LMC an additional opportunity to review the park and its content. The decision also provides input into the park by whatever entity accepts it. The AHE mentions only PLVC and LMC in this regard.

Road Safety and Ownership: The AHE found that deficiencies in the road system are the result of errors in prior permitting decisions and he is barred from considering those issues anew in this decision. LMC has expressed concern about road safety and exposure of LMC and neighboring Associations to unfair future maintenance costs, a concern that has not been addressed by the Decision. The Board should continue to look for solutions to these problems with Jefferson County.

Next, binding site plans for the resort area and Admiralty III will be received, and while at this time there is still time for motions to reconsider, this is possible only on errors of fact, interpretation of law or application. Trustee Van Zonneveld stated her opinion that there appears to be no further reason for action by LMC at this time. However, PLA has already filed a Motion for Reconsideration and their concerns are that the Shoreline Development Permit process and the interpretation by the AHE that Ludlow Bay Village is single residential, and not multifamily residential. The implication there are the requirements for required setbacks and the accumulation of permits before the application can go forward. Until such time a binding site plan is submitted to the County, LMC is finished with the public input in the process.

Board Goals 2007-2008 – Status Report: Mr. Belmont referred to Trustee Buehler's recent successful communication with the Voice Editors.

Enforcement of ACC Violation – Lot #7-0-014: Trustee Buehler stated the ACC had written a letter to the owners, giving them a time limit to comply with the LMC Covenants and Regulations. The time limit has now expired. Discussion followed. Trustee Buehler made a motion that the board write a letter to the owners, referencing the Regulation that has been violated, and asking for a response within 30 days. The motion was seconded by Trustee Moyer and carried by a majority vote with Trustees Moseley and Sanzaro opposed. President Bradshaw abstained.

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LMC Records Access Policy Review: Trustee Van Zonneveld made a motion to refer this policy to the CRC for further language review. The motion was seconded by Trustee Nelson. Discussion followed. The motion carried by unanimous vote with President Bradshaw abstaining.

NEW BUSINESS:

Scheduling of Board Communications Skills Workshop: A course on basic communication skills will be given by three qualified LMC members to the trustees as part of the trustee orientation program following the April 2008 Board of Trustees election.

North Bay Disaster Preparedness Coordinators – after hour’s access: The Operations Committee is recommending a lock box be created to allow after hours access to this group. Mr. Belmont explained the need for the NBDPC to have access to the Beach Club after regular hours. Trustee Feltham made a motion to create a combination lock box to be placed on the outside of the Beach Club building. The motion was seconded by Trustee Nelson. Discussion followed. Trustee Van Zonneveld called for the question. The discussion was ended by unanimous vote with President Bradshaw abstaining. The original motion carried by a majority vote with Trustee Moseley opposed. President Bradshaw abstained.

Voice Letter of Understanding: Trustee Buehler stated he felt the Voice Editors should receive a letter from President Bradshaw that would include thanking them for their cooperation. President Bradshaw will handle the matter.

ACC Membership: By a motion made by Trustee Moyer, seconded by Trustee Nelson, and unanimously carried, ACC alternate member Cory Sattler was formally removed from the committee. President Bradshaw abstained. A letter will be sent to Cory with thanks for serving.

Workshop Effectiveness: Trustee Buehler discussed the pros and cons of holding a trustee workshop prior to the regular monthly meeting. Trustee Buehler made a motion to temporarily suspend the trustees’ monthly workshops beginning in February 2008, in favor of two regular board meetings. The motion was seconded by Trustee Moyer. Lengthy discussion followed. The discussion was ended by unanimous vote with President Bradshaw abstaining. The motion carried by a majority vote with Trustees Sanzaro and Van Zonneveld opposed. President Bradshaw abstained. Further discussion continued.

Trustee Moseley made a motion to replace the time and date of the Thursday workshop with the second board meeting. The motion was seconded by Trustee Moyer. Discussion followed. Trustee Moseley called for the question and discussion was ended by unanimous vote with President Bradshaw abstaining. By a majority vote, the original motion was passed with Trustees Sanzaro and Van Zonneveld opposed. President Bradshaw abstained.

Scheduling of a Meeting to Discuss Facility Improvements/Expansion: Trustee Van Zonneveld explained it has been four years since the last long range plan was issued. It is now time to review with the community how we want to use the facilities and it is also time for the board to ask themselves if we proceed with conversations with the developer regarding their proposed expansion that means new members here and it also means, as PLA proposed, commercial users here. Trustee Sanzaro made a motion to set a date for a study session to discuss facility improvements/expansion and how LMC members want to use the facilities. The

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motion was seconded by Trustee Van Zonneveld. Discussion followed. The motion carried by a vote of 4:3 with Trustees Feltham, Moyer and Moseley opposed. President Bradshaw abstained.

Proposed Board Report Card: Trustee Buehler discussed the advantages of having a board report card from the community. Trustee Buehler made a motion for the Communication Committee to initiate a board report card to be conducted by email survey. Trustee Van Zonneveld seconded the motion. Lengthy discussion ensued. Trustee Van Zonneveld called for the question and the discussion was ended unanimously with President Bradshaw abstaining. The original motion, as amended to remove a definite time for completion of the report card was defeated by a vote of 3:4, with Trustees Moseley, Sanzaro, Feltham and Moyer opposed. President Bradshaw abstained.

As requested by Trustee Moyer, Mr. Belmont addressed his investigation at the County Court House in regard to the Area 5 Bluffs. One document in the County records with a notary stamp on the back notarizing a signature is missing from LMC records. Mr. Belmont will continue the investigation.

Public Comment Period: President Bradshaw opened the floor for public comments. Many comments were made by the audience and lengthy discussions ensued.

By a motion made by Trustee Van Zonneveld, seconded by Trustee Nelson and carried unanimously, the meeting was recessed to Executive Session at 1:45 p.m., to discuss legal and personnel matters. President Bradshaw abstained.

The regular meeting of the January 19, 2008 Board of Trustees reconvened at 3:53 p.m.

The following motions were made:

Trustee Van Zonneveld made a motion to request an opinion from our attorney regarding contradictory or seemingly contradictory language in the Articles and Bylaws, specifically Articles of Incorporation, Article IV (b) and Bylaws, Article II, Section 7. President Bradshaw is instructed to write to counsel for clarification on the meaning of the word restrictive and the difference between the majorities outlined in the Articles and the Bylaws. The motion was seconded by Trustee Buehler and approved by unanimous vote with President Bradshaw abstaining.

By a motion made by Trustee Sanzaro seconded by Trustee Buehler, and unanimously approved, the meeting was adjourned at 3:57 p.m. President Bradshaw abstained.

Respectfully submitted,

Jerry Nelson, Secretary
Ludlow Maintenance Commission, Inc.

Prepared by Carol Shamhart
LMC Recording Secretary

LMC Standing Committee Reports:

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Manager's Report:

The Trustees have been provided financial statements through December 31, 2007. These reports were prepared and distributed later than usual because we just completed the year-end adjustments with our CPA yesterday. If the Trustees have questions I would be happy to answer them now. And as always if you think of questions in between Board meetings please contact me. We currently have two (2) properties with outstanding assessment balances prior to 2008 that total, with late fees, \$2,803.72. Year to date we have collected approximately 68% of the 2008 assessments. Late payment penalties will be added to delinquent accounts beginning February 15.

At the January 10 workshop we discussed the deterioration of the wash basin floor drain in the downstairs furnace room. I showed the Board what was left of the cast iron p-trap. For those that aren't familiar with the term p-trap, this is the "u" shaped plumbing that you would typically find under your sinks at home. In this application the p-trap is set in to the concrete floor downstairs. The design of a p-trap has two purposes: first, to allow the water from the sink to flow out and keep noxious sewer gas from coming in, and second, to catch items that might go down the drain (wedding rings) before they are swept away. Following our workshop discussion our Maintenance Supervisor, Phil Eng, inspected the four (4) floor drains in the men's locker room which also have p-traps. Phil found failures in all four. That is, using a metal rod he felt and saw bare ground where there should have been cast iron pipe.

The question is where do we go from here? I will be discussing this with the Operations Committee on Tuesday. It goes without saying that the concrete floor will need to be cut and at the very least new p-traps installed. What we should also consider doing is have a company with drain cameras come in to inspect the remainder of the drainpipe. It wouldn't be very prudent to install new traps onto deteriorating drain lines so I think we need this additional information before we decide on the scope of work.

On Friday, January 11, we had to bring in a plumber to unplug the sewer line for the Kehele Park restrooms. Apparently someone attempted to flush large amounts of paper towels down the toilet which plugged the sewer line. We suspect this was a malicious act rather than an accident. The plumber charged us \$235 to clear the lines in both bathrooms which included the removal and resetting of two toilets.

The indoor pool propane boiler was repaired last week after we found several pinhole leaks in the inlet and outlet water lines. These water lines are two inch copper pipe that connect to the boiler outside the building. Sunshine propane made the repairs to the equipment.

LMC has hired Rick Shelton as a part time maintenance employee. Rick will start Monday January 21.

Our CPA, Jon Froula, has provided a letter of engagement to LMC for the preparation of the association's 2007 federal income tax and year-end financial statements. After LMC signs and returns the letter Jon will begin our tax preparation.

I will be out of the office on January 28 and 29 which are a Monday and Tuesday.

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ACC: No report received as of January 21, 2008.

Communications Committee: No report received as of January 21, 2008.

CRC: No report received as of January 21, 2008.

Finance Committee:

Thursday, January 17, 2008

Committee Members Present: Trustee/ Treasurer Ian Feltham, Trustee Art Moyer, David Pendergast, Ted Wright & Bill Funke

Others Present: Brian Belmont, General Manager, Vaughn Bradshaw, LMC President, John Van Zonneveld, Operations Committee Chairman

The minutes of the December 13, 2007 meeting were approved

Treasurer's Report: Treasurer Feltham advised that two CDs were purchased from local banks investing 2008 assessment receipts designated for 2008 operating funds: a 3 month CD for \$70,000 with American Marine Bank and a 7 month CD for \$40,000 with Washington Mutual. Interest rates on both CDs approximate 4.7%.

The Committee then discussed the issue of maximizing interest income with CD and Money Market investments with our local financial institutions for the 2008 Operating income from 2008 assessments. In consideration of the FDIC insurance limitations on LMC cash and / or CD investments held in the American Marine and Kitsap Banks, the Committee agreed to open a separate account with E. Jones Brokerage dedicated for Operating funds only, specifically to enable additional non-local bank CD investments that will be covered by FDIC insurance. Chairman Funke so notified Edward Jones Brokerage and will arrange that all necessary documentation and signature card form for the new account be on hand for execution when the Trustees meet January 19, 2008.

Interest rates on current CDs available through E. Jones from 3 months to two years are approximately 4.3%. Their Money Market rates are approximately 3.75%. Both the Reserve Fund and Operating Fund money market accounts at Kitsap Bank currently earn 3.92% (yield 4%).

During the next few days the Treasurer and General Manager Belmont will schedule cash transfers necessary from the current totals held in Kitsap Bank money market operating fund account to the new Operating Fund account with E. Jones Brokerage to insure the combined LMC Operating and Reserve Funds in Kitsap bank total less than the \$100,000 FDIC insurance cap at this bank. They will also determine the purchase and maturity schedule necessary to invest all 2008 Operating Funds in FDIC insured CDs to coordinate the Manager's monthly 2008 operating fund cash requirements. Direct Treasury bond interest rates remain lower than CD rates.

Chairman Funke noted the E. Jones Reserve Fund account currently has approximately \$75,000 in money market funds. CDs in the E. Jones Reserve Fund account maturing in 2008 are: \$50,000 maturing February 26th; \$70,000 maturing in June and July and \$15,000 maturing in October and December 2008.

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In anticipation of the unknown cash amount and time requirements to repair or replace the failed Club drain system [see the Manager's report, below], the \$75,000 in money market funds will be invested in Short Term CDs.

Post Meeting Note, On the broker's advice of lower CD interest rates, approximating 4.1%, published for next week, Treasurer Feltham used \$65,000 of the E. Jones money market funds to purchased two CDs available before the scheduled interest rate drop: one 3 month and one 6 month, CDs both earning approximately 4.35%.

Manager's Report:

Financial Reports: Manager Belmont distributed a January 17, 2008 tentative December 31, 2007 year end report. He will meet tomorrow with the LMC auditor, John Froula, to make necessary year end entry adjustments, after which the final year end report will be completed. The Committee did not discuss the tentative report.

Delinquent Accounts: Account 1-1-027 : The owner continues in default of the monthly payment agreement with the Manager. Account 1-4-001 : The Manager has not learned whether the litigation previously scheduled for this month resolved the ownership dispute of this property. The Committee will await the outcome of this litigation before considering foreclosure action.

Unplanned Expenses: Operations Chairman Van Zonneveld and Manager Belmont described the drain trap and drain pipe failure recently discovered in the Club furnace room which subsequent investigation indicated will require soonest major repair and possible extensive replacement work.

A major Club drain failure possibility was realized after discovering the "rusted out" condition of the ladies locker room drains after the 2005 fire. This, as yet, undetermined expense, along with soon to be needed replacement of the 40 year old and potentially dangerous, Club electrical system, have been recognized unknowns in the Committee's current study of Reserve Fund requirements. Neither the drainage nor electrical systems, or other club structural components, such as walls and gutters, were considered replacement items in the Reserve Associates Study, and, no funds have been set aside or are currently earmarked for these items.

The Committee will postpone any consideration of membership assessments or other funding for drain or electrical replacement pending the Manager's full investigation of needs and costs. In the meantime, the Committee will continue with its work with updating the Reserve Policy and the Replacement Item Component List.

Reserve Policy Revision: The Committee reviewed and with minor changes approved member Pendergast's final draft of a Reserve Fund policy to replace the current Reserve policy which has been in effect since 2001. At the suggestion of the Manager, the LMC accountant will review the policy draft for compliance with any applicable IRS rules when he meets with the Manager tomorrow. Subject to Mr. Froula's approval, this recommended policy revision will be presented to the Trustees at the January 19, 2008 Board meeting.

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Reserve Fund Replacement Item Component List:

The Committee and the Manager concluded the evaluation of LMC properties that have been identified to qualify for inclusion on the Reserve Fund Item Component List. It was determined that items historically subject to piecemeal in-house and other maintenance, repair and replacement, e.g. windows, should be Operating Fund expenses and removed from the Reserve Component list. These items and their estimated replacement and maintenance costs will be identified on a separate schedule for reference and future Operating expense budgeting.

In addition, several list items were grouped by category, e.g. asphalt repair and replacement, and other items, e.g. gutters, were added to the list.

The revised Component List will be turned over to the Operations Committee for further updating of individual item estimated replacement costs.

The new Component List format previously developed by the Committee details estimated replacement cost, useful life and remaining useful life, replacement funding savings requirements and percent actually funded for all listed items. This information is set forth in an easily understood manner.

The suggestion to soliciting the LMC membership for individuals with experience and knowledge of the many replacement products to assist in this item replacement cost estimate update will be considered.

Quarterly In-House Audit: The last quarter 2007 in-house audit will be conducted at the February meeting. It is noted Treasure Feltham has personally audited each LMC banking statement during this quarter.

There being no further business to come before the Committee it adjourned at 12:50 PM.

Bill Funke

Note: The next regular monthly Finance Committee meeting will be held on February 21, 2008 at 9 AM in the Beach Club Gallery Room.

Greenbelt Committee:

The Greenbelt Committee (GBC) met on its regularly scheduled meeting date of Tuesday, January 8, 2008. Currently there are 14 open requests to the GBC being evaluated and/or monitored for tree removal and required replanting in Greenbelt areas. During the past month 2 new requests were received and 2 were closed. Other items addressed at the meeting included the completion of cleanup for a major storm damaged area East of Tyee Lane, development of the GBC Master Plan for Critical Areas, the North Kehele Park "Green Area" Project and development of Greenbelt access for maintenance and fire response.

Cleanup of a major storm damaged area East of Tyee Lane was completed and a billing for \$1200 for the work was approved by GBC and has been submitted for payment to the LMC Manager. An estimated sum of \$1400 was included in the 2008 GBC budget for this work. The

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next major storm damage area to be addressed will be the Reserve between Rainier Lane and Oak Bay Road, north of Walker Way.

The GBC has determined that existing GBC Procedures adequately define our controlled program for management of our Greenbelt Areas in compliance with the Jefferson County Critical Areas criteria. Our plan is to develop a cover letter for submittal of our procedures as a compliant program and to request the elimination of County review and permitting for each request to the GBC for tree removal and vegetation management in areas designated as critical by the county.

Planting arrangement maps for The North Kehele Park project in partnership with the Operations Committee are being developed for review to provide scope and direction for area preparation and, hopefully, Spring planting.

GBC has determined that a favorable access location to the major Greenbelt Area between Walker Way and Swansonville Road and below Rainier should be developed at the Greenbelt "wedge" at the North end of Helm Lane. This location will result in the least impact to existing vegetation and provides access to significant areas of this Greenbelt area for maintenance and emergency response. We plan to be going forward with this access development in the immediate future with largely Volunteer support.

Operations:

The OPS committee met on January 8, 2008 in the Beach Club at 4:00 PM. The minutes of the December 18 meeting were approved with minor changes. The General Manager's report included a request by the Emergency Response Group to find a way by which they could enter the Beach Club in case of emergency to access the radio equipment. After discussion it was decided to recommend to the Board of Trustees that a lockbox system be created to provide access to the Group in cases of emergency.

D&D Electric replaced several burned-out heating units in the men's sauna.

Flooding in the furnace room is caused by corroding pipes that are rusted and disintegrating. It is impossible to trace the plumbing lines from existing old blueprints because they are not shown in print. This flooding is similar to the problem discovered in the women's locker room last year. It could well be that the complete drainage system in the men's locker room will need to be changed on out to the final drainage line.

The committee approved the installation of three signs in Kehele park, sized 8"x 18", and stating KEHELE PARK, an LMC property. Approximate cost of signs, posts, installation, including labor and parts would cost approximately \$110.00.

No approval was asked of the Finance Committee since this was an order from the Board to the OPS committee.

The Tennis - subcommittee which consists of Michael Cahn, Sheila Bunted and Pat Cooper, presented a draft of the Tennis report to the OPS committee. They explained the reasoning they used, the studies they conducted, and the background material they used and handed a copy of the report to all members present. It was determined that most of the coming meeting or meetings of the committee would be used to receive input from the members and to discuss a final version to be presented to the Board. The chair asked that the report not be published

APPROVED

because this is an interim report and the final version will probably look different than the "now" version.

The meeting adjourned, as usual, about 6:00 PM

John Van Z, Chair