

APPROVED

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

May 17, 2008 – 9:00 a.m. – Bay View Room

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

President Kadesh called the regular board meeting to order at 9:03 a.m. Roll call was conducted by Secretary Bradshaw. Trustees Jenings and Van Zonneveld were absent.

Agenda Changes: President Kadesh asked if there were any changes to the Agenda. There were no changes.

Approval of Minutes: Trustee Bradshaw made a motion to approve Draft No. 2 of the regular meeting minutes of April 12, 2008, as corrected. The motion was seconded by Trustee Nelson and the motion carried by unanimous vote. Trustee Feltham made a motion to approve the minutes of the special meeting of May 1, 2008. The motion was seconded by Trustee Nelson and unanimously approved. Trustee Moyer made a motion to accept the minutes of the April 19, 2008 annual meeting. The motion was seconded by Trustee Nelson and unanimously approved.

President's Remarks: President Kadesh announced that all board meetings are routinely recorded and that the meetings are held to conduct the business of the LMC. He further explained that limited comments from the members in attendance would be welcomed at the end of the meeting, with the exception of the committee reports. Following the reports and comment by the trustees, the audience will be permitted to comment. Comments will be limited to three (3) minutes, and one (1) comment per person will be allowed per committee report. Members who wish to address the board are requested to state their name prior to addressing the trustees and to wait until recognized by the President before speaking.

As a standard practice, President Kadesh announced he will vote on all issues requiring a vote. Having been elected by his constituents, he stated they are entitled to his input in such matters.

Manager's Report – Brian Belmont

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

The April 30, 2008 LMC financial reports have been delivered to the trustees.

Mr. Belmont announced items not included in the 2008 budget were \$4,000 for the annual audit and a 36% increase in water rates that is expected to impact LMC approximately \$1,000 for the remainder of the year. Other areas that will further impact the budget include an increase in energy due to Puget Sound Energy's application for a rate increase and an increase in the price of propane which now averages approximately \$2.20 per gallon.

The auditing firm of Hurley, White & Williams has submitted a letter of engagement for the 2007 LMC audit. June 23, 2008 is the tentative start date.

APPROVED

The Community Association Institute (CAI) will conduct a training session at the Beach Club on Friday, May 30. Topics include building community, insurance matters, deed restrictions and conflict resolutions.

Budget Rooter Plumbing has been attempting to clean out and inspect the men's locker room floor drain and sewer line during the past two weeks. After more than 6 hours of working with plumbers and encountering obstacles that included rusted pipes and blocked lines, Mr. Belmont recommended LMC take the necessary steps to replace the entire locker room drain system. To minimize disruption to the members, it was recommended this project be deferred until after the summer swim season. There are no cost estimates for the project at this time. Trustee questions and discussion followed.

Total replacement cost estimate of an 8-inch butterfly valve and miscellaneous parts for the outdoor pool is \$1,887.03 (including labor and sales tax). Because the handle needs to be customized to allow operation from the catwalk 3 feet above the valve, there will be an additional cost of \$400-500, which is based on time and materials. Other options, such as a T-handle type system, are being explored. Trustee questions and discussion followed.

LMC recently hired Mike Roddy as a part-time maintenance employee. Mike, who will typically work Wednesday-Friday, began working May 13.

The outdoor pool was opened a day early on May 16, thanks to the maintenance staff and the good weather.

Mr. Belmont will be out of the office Monday, June 2.

Trustee Moyer asked about the signs for Kehele Park. Mr. Belmont reported the maintenance staff would be installing them shortly.

President Kadesh announced there will be no reports today from the Architectural Committee, Covenants & Regulations Committee, Finance Committee and Greenbelt Committee as there are no chairs for these committees at this time. Operations Committee Interim chair, John Van Zonneveld, was scheduled to give a report at today's meeting but became ill and was unable to attend.

Communications Committee - Barbara Berthiaume (Interim)

Ms. Berthiaume's written report is attached to these minutes. Questions and comments followed.

Material for the Spring Log is being prepared and the committee is requesting articles regarding LMC business from the board.

The committee is still seeking an editor for the log and a job description for the position has been developed. Interested parties should contact Ms. Berthiaume.

LMC member Teddy Clark was presented to the trustees for consideration to become a member of the Communications Committee.

APPROVED

A Communications Skills Workshop will take place Wednesday, June 11, 2008 from 9:00 a.m. to 12 noon. Well known LMC member, Robert Reasoner, who is highly skilled in the area of communication skills, has agreed to participate in this workshop. Trustee questions and comments from the audience followed.

Lot Owners Association – No report.

Condominium Associations – No report for Admiralty I or Admiralty II.

Port Ludlow Village Council – **Larry Nobles**

Mr. Nobles reported the Council will be holding a special meeting on Tuesday, May 20, to give further consideration to the Iron Mountain Quarry problem.

CORRESPONDENCE: Secretary Bradshaw reported receiving a letter from Michael Fessler expressing his opinion that the LMC and its various subcommittees are not in compliance with the Critical Areas Ordinance of Jefferson County. He recommended LMC develop a code system to identify all LMC lots to determine what zone they are in, whether it is a buffer zone or critical area zone. He further recommended LMC set up procedures for handling this. Discussion followed.

Two letters were received from Robert Lambe related to the Schreyer appeal that was held several months ago.

UNFINISHED BUSINESS:

Appointment of Committee Chairs – President Kadesh submitted the following names to chair standing committees: Pat Cooper – Pro Tem appointment to the Operations Committee; Barbara Berthiaume – Communications Committee; Rae Watkins – Pro Tem appointment to the Architectural Committee. President Kadesh presented a brief summary of each candidate's qualifications.

Trustee Nelson made a motion to appoint Pat Cooper as chair Pro Tem of the Operations Committee. Trustee Boyer seconded the motion. Discussion followed. The motion carried unanimously.

Trustee Bradshaw made a motion to appoint Barbara Berthiaume as chair of the Communication Committee. Trustee Moyer seconded the motion and it was carried unanimously.

Trustee Moyer made a motion to appoint Rae Watkins as chair Pro Tem of the Architectural Committee. Trustee Bradshaw seconded the motion. Discussion followed. The motion carried unanimously.

President Kadesh announced there will be further recommendations to fill empty standing committee chair positions at the next board meeting. Discussion followed.

Operations Committee Tennis Report – Review and Discussion – President Kadesh provided background on this matter and indicated he was prepared to submit the Operations Committee Tennis Report to the members for their input. Trustee Moyer made a motion that the trustees

APPROVED

accept the Operations Committee Tennis Report with our thanks and that LMC allow the Racquet Club to use the Kehele Park courts every other week. During the interim, if LMC members wish to use the tennis courts during the opposite week, they may. The General Manager is instructed to inform the Racquet Club of this new policy. We will then proceed with the use of the courts every other week. The Beach Club tennis courts may be used by the Racquet Club on the off week, if available. Trustee Moseley seconded the motion. Lengthy discussion followed. The motion was passed by unanimous vote.

Board Long Range Planning Workshop – Further work for set-up is required and will be deferred until the next board meeting in June.

Facility Planning Ad Hoc Committee – As-built drawings – Copies of a letter in regard to setting an ad hoc committee to make in-place drawings of the Beach Club's electrical, plumbing and mechanical systems, as built, to assist LMC now and in the future, were distributed to the trustees. Jerry Nelson and Steve Siegiel have been working on this project. The first as-built plumbing drawings will begin with the men's locker room project.

President Kadash announced that in response to a letter dated February 1, 2008 from Jerry Nelson and Steve Siegiel, and in compliance with Article V Section III of the bylaws, he was creating an ad hoc committee to be known as the As-Built Utility Systems Committee. This committee shall be responsible for tracing and creating as-is drawings of the location of electrical, mechanical and plumbing systems in the Beach Club, where possible. Further, any and all repairs, modifications and/or additions to said systems requiring the use of outside contractors would first be reviewed by said committee prior to any work being approved or any contracts being given. Said committee is to be composed of Vaughn Bradshaw, Jerry Nelson and Steve Siegiel, with John Van Zonneveld as chair. The chair's duties will include conducting meetings, record and maintain all correspondence and minutes of the meetings keep copies of all as-is drawings and submit copies of same to the General Manager to be filed in the Beach Club office. He shall report progress of the committee at the monthly meetings of the board of trustees.

Discussion followed. Trustee Boyer made a motion to approve the creation of an As-Built Utility Systems Ad Hoc Committee, as described in the foregoing paragraph. Trustee Feltham seconded the motion. Lengthy discussion followed. Trustee Boyer withdrew his motion and President Kadash tabled the matter until the June board meeting to allow further clarification. Discussion continued.

The meeting went into recess at 10:35 a.m. and reconvened at 10:48 a.m.

Attorney Contact Policy – Second Reading – Trustee Moseley presented the rationale for the policy as follows: Control and limit unnecessary and costly contact by unauthorized individuals who abuse contact privileges authorized by representatives. This policy would serve as a checks and balances in the process of contacting legal counsel. The board voted to write a letter to our attorney for the purpose of setting contact protocol. The protocol was complicated and several interpretations were made by various board members. There is no policy at this time. Creating a contact policy would clarify the issue and prevent misuse of LMC funds.

The Contact Policy would read as follows: The LMC President shall be responsible for initial contact with legal counsel regarding any new legal matters. The President shall be authorized to contact legal counsel as directed by the LMC Board of Trustees by an affirmative vote or as

APPROVED

needed when clearly urgent or pressing matters exist that is of a time critical nature. In such cases, the LMC President will make contact at his own discretion and the LMC Board of Trustees will be made aware immediately of the contact nature and issue. In the absence of the LMC President, the LMC Vice President may contact the attorney under the same policy and procedures. The LMC General Manager shall be responsible for interaction, clarification and correspondence with legal counsel once it has been initiated by the LMC President or Vice President in the President's absence. The LMC General Manager initially may be authorized to contact legal counsel as directed by the LMC Board of Trustees. The LMC committee chairs shall not contact legal counsel directly. Chairs of the LMC standing committees may bring concerns to the LMC Board of Trustees who will use their best judgment concerning seeking advice from legal counsel. Contact with counsel may be by telephone, letter, e-mail or in person. A record of all contacts and opinions shall be kept in the corporate files at the Beach Club office.

Footnote: A matter will be deemed urgent or pressing if (1) both the LMC President and the LMC General Manager believe it is in the best interest of the LMC to address the issue prior to the next LMC Board of Trustees meeting; (2) best efforts are made to contact all trustees for comment and (3) all those contacted concur with the decision.

Discussion followed. Mr. Belmont expressed his concerns related to the language in the Footnote and suggested item (1) remain and items (2) and (3) be deleted. Discussion continued with the elimination of Items (2) and (3) in the Footnote.

The Footnote will read as follows: A matter will be deemed urgent or pressing if both the LMC President and the LMC General Manager believe it is in the best interest of the LMC to address the issue prior to the next LMC Board of Trustees meeting.

Trustee Nelson made a motion to send this Attorney Contact Policy to the Covenants & Regulations Committee (C&R) for any recommendations or changes and then sent back to the board for approval. The motion was seconded by Trustee Bradshaw and carried unanimously.

Port Ludlow #5 Bluff Ownership – President Kadesh reported legal counsel's opinion letter stated LMC did not have a great deal of liability in connection with the bluffs, maintaining or admitting ownership of them or accepting ownership of them and that in any event, according to our insurance policy that covers the LMC properties, that this would automatically be included. Mr. Belmont stated the LMC insurance company would cover this property up to our policy limits.

Trustee Moyer made a motion to contact the LMC attorney to ascertain what it might cost LMC to go to court in order to reject legal ownership of the bluff properties. The motion was seconded by Trustee Moseley. Lengthy discussion proceeded. Trustee Bradshaw read the following paragraph from the LMC attorney's opinion letter: "At this point in time, I think the LMC should assume that it owns the subject uplands properties. However, if sufficient facts can be established to demonstrate that the upland properties were never properly conveyed to the LMC by Pope & Talbot, then the LMC could think about filing a legal action, e.g., a declaratory judgment action seeking the court to declare that the LMC is not the owner of the upland properties. However, given that I do not see any significant or extraordinary liability associated with the ownership of the uplands, it seems to me that the LMC may want to consider holding on to the uplands."

APPROVED

Discussion continued with Trustee Moyer reading a portion of the attorney letter as follows: “Therefore, assuming that the LMC is the owner of the upland properties, I do not believe that the LMC has any significant risk of liability simply because of ownership of the uplands. However, if the LMC made certain alterations in the uplands that results in landslides or sloughing that could cause some damage, the LMC could be held liable under that scenario.”

Discussion continued. Trustee Moyer’s original motion was carried by unanimous vote.

President Kadesh will initiate contact with the LMC attorney regarding the Port Ludlow #5 Bluff area.

NEW BUSINESS:

Utility Easement – LMC Member Property #1-1-012 – Mr. Belmont reported Olympic Water & Sewer has provided a temporary construction easement that they would like LMC to consider. The majority of the sewer line to be installed will run along the County road right-of-way for which they have a utility easement. They need a place to put fill material, pipe and equipment and the most logical and most convenient place for this is the reserve areas they have identified on the easement.

Trustee Bradshaw made a motion to approve the temporary construction easement to Olympic Water & Sewer for the purpose of installing a sewer line on the existing easement for Port Ludlow #1-1-012. The motion was seconded by Trustee Moyer. Discussion followed. The motion carried unanimously.

June 11 Joint Social Gathering (LMC, SBCA & PLVC) – President Kadesh announced all trustees and their wives have been invited to a social gathering to be comprised of the LMC, SBCA and the PLVC, on June 11 at the Bay Club from 5:00-7:00 p.m. RSVP to Mr. Belmont if you are not going to attend.

Tree Cutting – Condon Lane – President Kadesh will respond to this matter and will include it in the June board meeting.

2007 Annual Audit – Letter of Engagement - Hurley, White & Williams – Mr. Belmont reported he had contacted the auditing firm of Hurley, White & Williams who had performed the LMC audit in 2006. They have prepared a letter of engagement outlining an estimate that their fee for the LMC 2007 audit will not be in excess of \$4,000, assuming the accounting is consistent with the previous audit.

By a motion made by Trustee Moyer, seconded by Trustee Feltham, and unanimously approved by the trustees, the 2007 Annual Audit – Letter of Engagement from Hurley, White & Williams will be signed as approved by the trustees.

Digital Village Presentation – Trustee Nelson made a motion to hold the Digital Village Presentation in the Gallery room following the June 2008 regular board meeting. The motion was seconded by Trustee Feltham and was carried unanimously. Mr. Belmont will check with the presenters to see if they are available on June 21.

APPROVED

Outdoor Pool Chain Link Fencing – Mr. Belmont reported the chain link fencing around the outdoor pool has to be changed to conform to State law which changes in June 2008. This new law will require square openings no larger than 1-¼ inches. Bids have been obtained from NW Chain Link Fence Company. Their 9-gauge price was just over \$6,200 for approximately 140 feet of fence. The estimate for 11-gauge with tax was just over \$5,800. Viking Fence Company came in with an estimate including tax for 9-gauge at \$3,769.07. Additional bids have been investigated, without success.

At the May 6, 2008 Operations Committee Meeting, the committee approved a price for the outdoor pool fence not to exceed \$3,800. The Finance Committee was consulted. Trustee Feltham made a motion to accept the Operations Committee's recommendation to make the necessary repairs to the outdoor pool chain link fence for an amount not to exceed \$3,800. Funding from this project will come from the reserve accounts. The motion was seconded by Trustee Moyer. Discussion followed. The motion passed 6:1 with Trustee Moseley opposed.

2008 – 2009 Insurance Renewal – Trustee Feltham asked Mr. Belmont to explain the 2008-2009 insurance renewal for LMC. Mr. Belmont presented a spreadsheet to the trustees with comparative pricing from last year's renewal. For directors and officers, which cover decisions made by the board and the committees, the premium is \$4,537, with no increase from last year. There is \$1,000,000 coverage with a \$2,500 deductible. Property, liability and earthquake insurance for this year will be \$18,762 compared to \$18,149 last year. The property is based on guaranteed replacement costs with a \$5,000 deductible. LMC general liability is \$2,000,000 loss limit. The earthquake is a ratable limit and it is rated at 2.1 million dollars with a 10% deductible per building.

The auto insurance premium decreased by 2.19% and next year's premium will be \$1,426. We have \$1,000,000 liability coverage, \$5,000 on the auto medical and \$500 comprehensive deductible.

Total premium proposed by the insurance company is \$24,725.00. LMC has budgeted \$25,835, which is \$1,110 under budget.

Mr. Belmont presented additional insurance options that were recommended by the LMC insurance agent. These options have been discussed with the Finance Committee. To add the recommended insurance options would require an additional \$3,649 to the premium. This sum places the funds budgeted for insurance over by \$2,539.

Lengthy discussion proceeded. Trustee Feltham made a motion to accept the insurance agent's recommended options, which included increasing the directors and officers insurance from \$1,000,000 to \$2,000,000, and increasing the LMC liability insurance from \$2,000,000 to \$3,000,000. In addition, increased coverage limits to \$420,000 for demolition costs and increased cost of construction as well as increase the property deductible from \$5,000 to \$10,000. Trustee Moyer seconded the motion. Discussion followed. Trustee Moyer made an amendment to the motion, to leave the property deductible at \$5,000. Trustee Bradshaw seconded the motion. The amendment carried unanimously. The amended motion carried unanimously.

Member Appointment to the Communications Committee – President Kadash announced LMC member Teddy Clark has been proposed to become a member of the Communications

APPROVED

Committee. By a motion made by Trustee Moyer and seconded by Trustee Bradshaw, Teddy Clark was unanimously approved by the trustees to become a member of the Communications Committee.

Public Comment Period: President Kadesh opened the floor for public comments. Several questions were addressed to the trustees by LMC member Eve McDougall.

President Kadesh adjourned the meeting at 11:55 a.m.

Respectfully submitted,

Vaughn Bradshaw, Secretary
Ludlow Maintenance Commission, Inc.

Prepared by Carol Shamhart
LMC Recording Secretary

Manager's Report:

The trustees have been provided the April 30 financial statements. Are there any questions?

At the May 1 board meeting it was decided that LMC would ask the auditing firm of Hurley, White & Williams to audit the 2007 financial statements. That firm has submitted a letter of engagement for those services that the board will discuss later in today's meeting. If the board agrees to sign the engagement letter a tentative start date has been scheduled for June 23.

A reminder to the board that Community Association Institute (CAI) will be conducting a training session here at the Beach Club on Friday, May 30. Registration and continental breakfast begin at 8 a.m. the class is from 8:30 a.m. – 4 p.m. The topics are building community, insurance matters, deed restrictions and conflict resolution.

The requested sewer line extension easement through reserve property adjacent to the RV storage lots has not been completed. The extension of the sanitary sewer line is to provide a sewer connection to Paul "Whitey" Johnson who owns two undeveloped properties on Ames Lane. Those two properties are identified as 1-3-005 and 1-3-006. At the March 15 meeting, the board authorized the President or Vice President to instruct the LMC attorney to prepare the easement after receiving the legal description from Mr. Johnson's engineer. Mr. Johnson and I spoke yesterday and he indicated that he should have the legal description to LMC next week. Based on this information, the utility easement should be ready for the board's final approval at the June 21 board meeting.

Budget Rooter Plumbing has attempted to clean out and inspect the men's locker room floor drain and sewer line system during the past two weeks. The inspection part of the process was conducted using a sewer line camera. Because the four (4) drain traps, in the locker room are rusted out there was no way to get into the 2 inch drain lines with the cleaning tool or the camera. Because of this, our assessment was limited to the 4 inch main lines. The plumber accessed the line from the 4 inch sewer cleanout and from one of the toilet connections but was

APPROVED

only able to work into the pipe approximately 35 feet before running into obstructions that couldn't be cleared. As the camera was maneuvered into the 4 inch line, it encountered several low spots or "bellies" where the pipe had settled and was now holding water. In some cases the "bellies" appeared to be as deep as 1 to 1 ½ inches.

From the camera view we saw what appeared to be areas of the pipe that were heavily pitted with an accumulation of material that may have been dirt. In several locations we saw drain rock ranging in size from ¾ of inch to what looked to be as large as 2 inches. It is not clear where the rock came from. It could be that it washed into the 4 inch line from the rusted out 2 inch drain traps however given the size of a couple of the rocks I think it is a very good possibility that there are failures within the 4 inch main line.

After having worked with the plumbers for more than 6 hours looking at the inside of the 4 inch line I recommend that LMC take the necessary steps to replace the entire locker room drain system. Due to the scope of this project, I understand that this will be a tremendous inconvenience to our members and an expensive undertaking. With the information gathered during past month and having seen the condition of the women's drain system in 2005, I feel that a full replacement is the prudent thing to do.

As has been discussed in prior board meetings Dean Mosier and Dave Pike of the Port Ludlow Computer Club have been researching the possibility of developing a Port Ludlow Digital Village. Dean and Dave have made numerous concept presentations throughout the community and would now like to schedule a presentation for the LMC trustees. It is estimated that presentation will take 60 to 90 minutes depending on the number of questions that are asked. Is this something that the board would be willing to schedule during the month of June?

At the May 1 board meeting I reported that the outdoor pool has two 8 inch lines, with butterfly valves, that bring water from the pool to the filtration pit. When cleaning the pool filters our staff closes off the two valves to prevent water from draining from the pool into the filtration pit. One of those valves has a handle that has rusted out and is no longer functioning properly. Our pool supply company has prepared replacement cost estimates that include:

8 inch valve and adapter flanges	\$800.22
Miscellaneous Parts	\$35.00
Labor	\$896.00
Sales Tax	<u>\$155.81</u>
Total	\$1,887.03

Because the valve handle needs to be customized to allow operation from the cat-walk 3 feet above the valve the customization cost will be an additional \$400 - \$500 based on time and materials.

LMC recently hired Mike Roddy as a part-time maintenance employee. Mike, whose first day was May 13, will typically work Wednesday through Friday days.

Because our maintenance staff had everything ready and the weather was so good the outdoor pool was opened yesterday a day earlier than scheduled.

APPROVED

I will be out of the office Monday, June 2.

Communications Committee – Barbara Berthiaume

The committee met on Thursday, April 23. Members present were Evelyn Fett and Barbara Berthiaume. Board members present were Elizabeth Van Zonneveld and Stan Kadesh. Brian Belmont was also in attendance.

Material for the Spring Log is being prepared and the committee is requesting articles regarding LMC business from the board. Stan Kadesh expressed the desire for the Log to go out quarterly instead of three times a year. We are still seeking an Editor for the Log and the job description is as follows: An editor for the Log is still being sought and the duties include collecting pertinent and timely information regarding LMC business by communicating with the board, committee chairs, and the Beach Club Manager. If anyone is interested, please contact Barbara Berthiaume at 437-0423. We are also seeking more volunteers for the committee and at this time, the committee would like to put forth Teddy Clark's name for board consideration to be a member of the Communications Committee.

LMC information currently gets to the membership through the Voice around 6 weeks after the board meeting. As new committee chairs are being selected, it may be timely to revisit the date of the LMC board meeting. If it were the second week of the month, LMC news could get to the readership around 3 weeks after the meeting instead of 6 weeks.

The Communication Skills Workshop will take place Wednesday, June 11th from 9 am to 12 noon. We are very fortunate that Bob Reasoner has agreed to participate as his expertise in board training and communication skills will be a valuable asset in conducting this workshop. A survey has gone out to board members to get their input as to what they see as needs in this area.

The committee welcomes Elizabeth Van Zonneveld and Stan Kadesh as liaisons from the board to our committee.

The next meeting will be Wed. May 21st in the Gazebo Room at the Beach Club. All members are invited to attend.

Submitted by Barbara Berthiaume

Interim Chair