

HIGH BAR HARBOR YACHT CLUB CONDOMINIUM ASSOCIATION, INC.
OWNERS' MEETING WITH THE BOARD OF TRUSTEES
Saturday, August 19, 2006

Hugh Gray, President of the Board of Trustees of the High Bar Harbor Yacht Club, called to order the HBHYC Summer Owners Meeting for 2006, at 9:00 AM. Mr. Gray noted that the Board of Trustees welcomed discussion among the owners and asked that comments not be personal. He noted that an attendance sign-in sheet was being circulated.

Ed Meline moved to change the meeting's agenda, requesting that Peter Hoeltje's, the marina manager's, presentation not be made during this meeting in an effort to save time. Jay Keough proposed a compromise agenda, to consider the financial portion of the agenda first, with Mr. Hoeltje's presentation to be made later.

Mr. Gray noted that prior to the meeting John Burger asked to be recognized at the beginning of the owners' meeting. Mr. Burger prefaced his remarks saying that based on information he acquired when trying to determine the addresses of the named owners of slips, he learned that Trustee Roy Rapp had ceased to be an owner of a slip in the previous year, having titled the slip in his wife's name only. This transaction occurred before Mr. Rapp's last re-election to the Board. Mr. Burger cited the HBHYC Bylaws sections relevant to voting rights and eligibility to serve as a trustee. Trustee Ericsson asked Mr. Rapp if this was in fact true. Mr. Rapp responded that this titling transaction had been made for estate purposes. Discussion by the Board and the members followed and there was general agreement expressed to Mr. Rapp that as a spouse of an owner he could remain at the meeting and vote to represent his wife's interest, but he could no longer serve as a trustee. Mr. Rapp acknowledged "the fact of this technicality." Mr. Keough recognized Mr. Rapp's many years of service on the Board. Mr. Rapp left the meeting.

Trustee Mike Drago then opined his dissatisfaction with the recent conduct of affairs at HBHYC ("stooped to a new low") and stated that he was resigning. Trustee Sam Alloway then indicated he was leaving also. When questioned by Mr. Ericsson what was Mr. Alloway's intention, Mr. Alloway stated that he resigned from the Board.

Ms. Monica Johnson, Office Manager, then announced that she was taking the rest of the day off, and left the meeting.

Dave Hall asked if the vacated seats should be voted on at this time. Mark Miller moved to vote to fill the seats with new trustees.

Mark Davis moved to have a special election in 60 days from the Annual Owners meeting; it was seconded and the motion passed overwhelmingly.

Fred Wilkens expressed concern that Mr. Rapp had many friends in the marina and the owners could expect to hear further from Mr. Rapp.

Mr. Keough's earlier motion to follow the Board's agenda, except to move any open questions to after the financial update, was seconded and passed by the membership.

Financial Update

A discussion ensued about what constituted capital expenditures due to the winter storm damage.

There was a discussion of the cost of pilings, and whether it was included in the operating statement.

Diane Eilbacher noted the estimate for year-end had not been updated in the budget.

Mr. Meline noted that, before being disbanded, the Finance Committee asked for the 2005 actual spreadsheet detail. He noted that the previous members of the Finance Committee did not fully understand the 2005 financial statement presented by the HBHYC accountant Helene Koseff. Mr. Gray responded that the 2005 detail had yet to be completed. Mr. Ericsson added that the 2005 detail would be provided once a new Board was constituted.

Mrs. Robert (Liz) Miller moved to reconstitute the committees, including the Finance Committee, which had been disbanded by the Board. This motion was seconded by Mr. Keough and passed by the membership. Mr. Gray announced the committees were effectively reconstituted as they were at the time they were disbanded.

Mr. Ericsson summarized the actions of the meeting: 1) Mr. Rapp left the meeting after the disclosure that he was no longer a deeded member of the Association; 2) Mr. Drago and Mr. Alloway had resigned as trustees; 3) the agenda was revised as recommended by Mr. Keough; and 4) the committees were reinstated by Mr. Gray with the same membership as previously constituted prior to the Board's action to disband.

Mr. Gray noted that the budget numbers provided are directly out of Quickbooks. Waste Management's fees were decreased after discussions with another hauler and negotiating a change in schedule.

Mr. Gray thanked Bob Campbell for his efforts in identifying savings with the workers' compensation premium. Mr. Campbell was successful in reclassifying the Association as a yacht club (and not a working marina). The new classification lowered the premium by \$2500.00 a year. Mr. Ericsson noted that the Association will try to recoup any prior workers' compensation premium which may have been overpaid. Jim Avery noted that if the Association can demonstrate it was due to the insurer's misrepresentation, it is a matter that possibly the Finance Committee could pursue.

Mr. Ericsson stated that the budget was in decent shape, with most numbers coming in close to budget. He noted that the Board felt the funds were sufficient to not require an increase in Association fees.

Ken Reuter thanked Mr. Gray and Mr. Ericsson, noting it was a "thankless job" to serve and "it's nice to have Board members." Mr. Reuter noted that the Bylaws require a CPA audit; he inquired whether this had been performed? Mr. Gray replied that the Board had not requested such an audit, due to the cost of approximately \$10,000 for a third party audit. Mr. Gray stated that there are different levels of audit which may be performed. Mr. Ericsson observed that if the Bylaws require it, the Finance Committee should determine if an audit is needed.

Mr. Meline remarked that last year in conversation with the Association accountant Helene Koseff, she was questioned about the charge of approximately \$1500.00 for review of the “audited financial statements”. Mr. Meline further stated that it was the unexplained \$25,000 entry questioned at the time by Mr. Meline and Mr. Avery which prompted the audit.

Mr. Avery observed that the Association is in a transition period, between the old and the new governing boards. If the Association is able to put the right personnel on the committees, it may not need to spend the money required for a CPA audit.

Mr. Reuter inquired to whom do the members address financial questions. Mr. Ericsson stated that they should be directed to Mr. Gray.

Mr. Reuter then asked does the Association pay 100% of health benefits for employees? Mr. Ericsson replied that it does, and that the Board considered the entire compensation package when determining benefits.

There was further discussion from the floor about the appropriateness of the compensation package.

Bob Matule commented that the members need to respect and have confidence in the Board’s decisions, observing that back-biting and second-guessing are not productive. He stated that if one wants to be constructive, run for the Board.

Mr. Reuter noted that more transparency on the part of the Board in this regard would help the members when considering the Board’s actions.

Mr. Gray remarked that the state of the marina is in better shape than it has been in years and that it was due in great measure to the staff.

Mr. Gray stated that the Association’s capital replacement funds are invested in CDs paying approximately 5%. The Board decided that no principal would be put at risk. He further noted that the Board was in the process of opening a Vanguard money account, as it pays more than the current Smith-Barney account.

The Association spent \$84,000.00 on dredging, costs due to storm damage, furniture, renovating the weight room.

Mr. Ericsson stated that the Board will have the Finance Committee look at the Association’s investments and ask that it make recommendations.

Mr. Gray stated that last year the increase in health insurance was 30%; he further noted that there was a proposed 7.5% increase this year, which was still being negotiated. Mr. Avery asked that the Board consider insurance plans with copays and deductibles. Mr. Gray replied that the Board reviews the health plans every year with a health insurance broker.

At the conclusion of the financial report and prior to the buildings and grounds report, the Board responded to a request from the floor to formally acknowledge the one disqualification (Mr.

Rapp) and two resignations (Mr. Drago and Mr. Alloway). The Board recognized the disqualification and resignations.

Buildings and Grounds Report

Mr. Keough inquired as whether the dredging permit had expired, and will the license be renewed in 12/06? Mr. Hoeltje replied affirmatively and added that no resampling is required if the license is renewed sequentially.

Alex Millerand recognized Mr. Hoeltje's efforts, noting the extent of the storm damage that many owners might not have been aware of.

Liz Miller inquired about the status of employee job descriptions. Mr. Ericsson stated that the Board recommended no job descriptions.

There was a brief discussion about Mr. Hoeltje's status as an employee of the Board or the Association. Mr. Ericsson stated that it was not a significant distinction.

Mr. Ericsson informed the members that the replacement of windows and doors in the clubhouse would begin in two to four weeks. He also stated that there was a plan to address the repair of the wave attenuator on E dock, which included possible removal by crane and repairs by the staff.

Bob Bonica and Denise Ryder were recognized for their efforts serving on the Buildings and Grounds Committee, for the renovation of the upstairs and the TV room.

Mr. Ericsson noted that the Board was trying to address repairs and maintenance as much as possible through the efforts of the Association's employees in order to keep expenses down.

Mr. Gray stated that concerning the wave attenuator, if the Association can perform the repairs in-house, it would; however, noting that seven attenuators require maintenance and the extent to which they need repair would not be known until they are pulled.

Fred Wilkins remarked that the biggest problem on E dock is the destruction caused by the wakes of the commercial fleet.

Mr. Hoeltje pointed out that the Department of Environmental Protection would not permit the construction of a bulkhead which goes all the way down to the sea floor.

Mr. Ericsson added that the resolution may be an enhanced attenuator.

Bob Campbell requested that research be conducted as to the feasibility of new systems for docks, which was also noted by Mark Miller.

A discussion on the floor followed regarding the maintenance of the floating docks and the need to explore new alternative systems.

Liz Miller inquired about security at the marina. She noted that there was no longer a security guard. Mr. Ericsson noted that most nights during the week in the summer season, a staff person remained on the premises until 9:00 PM.

Mr. Reuter noted that on occasion when visiting the marina last winter, he observed that sometimes no one was on the premises on the weekends. Mr. Hoeltje acknowledged that for a period of time no one was scheduled to work weekends.

Mr. Hoeltje reminded the membership that the State requires that the public have access to the bay on the north side of the marina.

Peter Zielinski inquired about that availability of staff, in the off-season, during periods of bad weather and storms. Mr. Hoeltje responded affirmatively that the staff watches weather reports, spends time here in off-hours when the conditions are poor. Mr. Ericsson noted, however, the Board would not ask staff to be available if the conditions are dangerous.

Mr. Ericsson reported on the difficulty completing the dredging over the years, and that it was a Herculean task. Hopefully a good relationship was established with Butterick. Mr. Ericsson noted that the Board was very pleased with the condition of marina and appreciative of the staff's effort.

It was noted that no payment was made for a lifeguard. The Personnel Committee had recommended training of staff in first aid. There was a discussion about possibly making training available to membership also.

Communications Committee Report

During the discussion of the Buildings and Grounds report, Kurt Krumpholz reported on behalf of the Communications Committee. He discussed the wireless internet access, posting of the minutes, bulletin board, attempt at constructive dialogue, and the possibility of setting up a newsletter.

Mr. Meline moved that the membership be allowed to vote to change the annual meeting date to August in the Bylaws. It was determined that the necessary quorum of members was present to vote on a change to the Bylaws. Paper ballots were distributed and votes cast by the members. Mr. Bonica and Mr. Matule counted the vote totals.

The reported results were:

Question #1: To move the date of the annual meeting to August:

With proxy votes counted and without weighting, it was reported 78 yes votes and 2 no votes were cast to move the date to August.

Question #2: To increase the Board of Trustees from five to seven:

With proxy votes counted and without weighting, 43 yes votes to 35 no votes were cast, with 2 abstentions.

Mr. Burger asked if Mr. Rapp's proxies count? Mr. Gray and Mr. Ericsson stated they didn't want to disenfranchise members who gave their proxies to Mr. Rapp, but it appeared Mr. Rapp, Mr. Alloway and Mr. Drago left with their proxy votes.

Mr. Ericsson recommended that new Board of Trustees look at all of the governing documents to determine what changes may be needed and to recommend appropriate changes.

Mr. Gray requested that a discussion about rumors and some members' reliance on same be terminated as not productive to the progress of the meeting.

There was a discussion about the weighting of votes of slip owners. Mr. Gray reiterated that the Board would ask the newly formed Bylaws Committee to investigate the issue.

Mr. Reuter inquired about whether loans were made to employees. Mr. Ericsson noted that in 2005 the accountant's report identified salary advancements for Pete, Greg, and Raul. At the time that the Association changed the payroll processing firm from ADP to Paychex, the salesman identified it as a loan to staff but Paychex did not identify it as a loan against salary. The problem apparently arose due to this miscommunication. It was addressed at last winter's owners meeting. All loans have been paid back. In the future, such loans would not be allowed.

Mr. Keough asked to speak on slip-owner Pat English's behalf, as Mr. English could not be present due to a family matter. Mr. English had raised the issue of the posting of the staff's working hours. Mr. Keough read excerpts from Mr. English's letter previously addressed and distributed by Mr. English to the members.

Mark Davis pointed out that to attract and retain good people, the owners need to allow employees to perform outside work. Further discussion ensued about Mr. Hoeltje's arrangement with the marina and his hours, and his obvious dedication to the improvement of the marina. Mr. Ericsson stated the Association can post hours for employees with an understanding by the members that such a schedule needs to be flexible on occasion.

Mr. Ericsson stated that the Board would focus the next 60 days on the election of new trustees and the formation of committees.

Mr. Gray commented that past underfunding of maintenance is what got the marina "into this pickle".

Eileen Hanley-Meline and Tryg Dahl both noted that the owners' comments are not personal about any employee.

Mr. Reuter moved to adjourn, it was seconded and the meeting ended at 11:50 AM.