

**DRAFT
HAMILTON COVE HOMEOWNERS ASSOCIATION
MINUTES
MEETING OF THE BOARD OF DIRECTORS
SEPTEMBER 21, 2019**

The meeting was called to order at 10:15 AM by President Norris Bishton. The following directors were present:

Norris J. Bishton, Jr.
Martin Curtin
Bart Glass
Richard Kirschner
Mike Owens attended by phone

14 Owners were present.

APPROVAL OF MINUTES

The minutes of the Board Meeting of April 20, 2019 were approved.

EXECUTIVE SESSIONS

The Board met in Executive Session on June 18, 2019 to deal with Contractual Matters. The Board considered the following matters:

Repaving the Road from the Gate to the Casino (the "Access Road")

The Developer is in violation of its road repaving obligations by permitting two (2) of its Villas in Increment 5C to be occupied prior to starting the road repaving from the Casino to the security gate of Hamilton Cove.

The repaving is governed by paragraph 28 of the Amended 3PA and Paragraph 4 of the Fourth Amendment as follows:

28. Access Road. Within ninety (90) days after the completion of construction of Increment 5B, Newco shall at its expense resurface to smooth and driveable condition the existing access road to Hamilton Cove from the Casino building to the "hairpin curve" inland from

Descanso Beach and Developer shall, at its expense, resurface such road from the hairpin curve to the existing security gate at Hamilton Cove. Newco and Developer agree to reasonably cooperate with HCHA to minimize disruption of the use of the road by residents of and visitors to Hamilton Cove. HCHA may require Newco and Developer to delay such work so that it does not occur during the period from Memorial Day through Labor Day weekend. Newco agrees to cause SCICo to cooperate as necessary to accomplish and comply with this paragraph.

4. SCIRE and Developer agree to perform their respective obligations under Paragraph 28, titled "Access Road," of the Three-Party Agreement prior to the occupancy of any of the Villas in Increment 5C. In performing such obligations under Section 28, SCIRE and Developer will cause the road to be 18 to 22 feet wide wherever the terrain reasonably permits and will take reasonable steps to assure that the edges of the road do not deteriorate due to vehicular traffic. The Parties further agree that until such time as said obligations have been performed, none of the Villas to be built in Increment 5C shall be occupied.

Upon a motion duly made, seconded and unanimously approved the following Resolution was adopted:

RESOLVED:

- a) The Board accepts that the Access Road has been repaved from the Casino to Descanso;
- b) The Board accepts the following proposal from the Developer of the Remaining Land, Hamilton Pacific LLC ("HP"):
 - i) HP will contract for and repave the Access Road from Descanso to the Gate at no expense to the Association after Labor Day, to be completed by November 15, 2019,
 - ii) work will not be done during October Jazz Festival Events;
 - iii) access to Hamilton Cove will not be unreasonably disrupted; and

- iv) the Association will be provided with a schedule of when work will be performed in time to alert Association Owners.
- c) the President is authorized to obtain a bid from the contractor chosen by HP to repave the Access Road to also repave the asphalt roads within the Project for review by the Board and, if available, other bids for comparison purposes.

Temporary Relief from Construction Restrictions

The Board reviewed a request from the Developer for temporary relief from the Construction Restrictions requiring cessation of outside construction after June 15. The request was denied.

PRESIDENT'S REPORT

The cost of fire insurance will be a problem going forward. While the Association paid \$77,000 more for insurance this year, others in Avalon are having trouble even getting an insurance company to quote.

Edison obtained approval to raise water rates on July 26, 2019. Edison's Revenue Requirement remains at \$4,300,000. Rates have been raised to make certain it collects that amount. In the future, rates will be adjusted annually to make certain Edison collects this Revenue Requirement.

There are 2000 water connections (some ratepayers have more than one connection). This is what Edison is going to seek to collect per connection:

- \$5,500,000 in lost revenue for water purchased in the past or \$2750 per connection, plus interest
- \$4,300,000 in drought related costs or \$2150 per connection, plus interest
- \$9,330,000 for capital expenditures already completed or \$4665 per connection, plus interest
- \$30,000,000 for new capital expenditures over the next five years or \$15,000 per connection, plus interest

Grand total--Edison wants to collect: \$68,260,000 or \$34,130 per connection, plus interest.

Bart Glass reported that Edison is currently not running the desal plants because of lack of storage. Nothing has been done to allow desal water to be stored in the 9,000,000 gallon Wrigley Reservoir.

Electricity is also a problem. Edison has to eliminate diesel generated electricity by 2024. It is considering a cable from the mainland. It wants to do solar but neither the Island Company nor the Conservancy will cooperate as directed by Geoff Rusack.

During the period between Memorial Day and Labor Day the number of incidents reported by the Security Guards was down sharply from prior years. Mr. Bishton credited the decline to the laminated cards setting out fines that were placed in every Unit.

Mr. Bishton reported that the original 66 subleases that existed after the Project was purchased in 2010 securing the Master Land Loan, have been reduced to 21 with two more purchases of the fee to be closed shortly.

Mr. Bishton reported on the Association's finances through August 31, 2019. Monthly compiled financial statements are available on the Association's web site. He indicated that it was going to be a difficult year. The carryover from last year was only \$170,000. \$250,000 had been budgeted. Insurance as described above is over budget. Reducing the monthly assessment to \$840 has created additional pressures. The Association has been helped by a \$31,000 credit from Edison for overcharges for electricity related to the San Onofre Nuclear Plant.

Richard Kirschner noted that Reserves were at an all-time high--\$1,400,000.

VICE PRESIDENTS' REPORTS

Martin Curtin reported that the Architect Committee and the Board are dealing with unauthorized alterations to Units and with requests to alter Common Areas. A Unit is everything from the paint in. The walls, the ceilings, even party walls are Common Area. Typically, Common Area cannot be altered.

NEW BUSINESS

A. 2019 AUDIT

Upon motion duly made, seconded and unanimously approved, the Board authorized retaining the same auditor for the current year as was retained last year.

B. ALTERATIONS TO UNITS

Upon motion duly made, seconded and unanimously approved, the Board adopted a policy to require that unauthorized alterations to Units when discovered be remedied.

C. PROPOSED FINES/AMEND FINES

The Board reviewed a spreadsheet of proposed fines. Upon motion duly made, seconded and unanimously approved, the Board authorized the President to proceed to use his discretion and notify Owners of the proposed fines.

D. GENERATOR

The Board discussed the need for a generator to be installed in the vicinity of Gilly's so that the lift station will continue to operate when electricity is shut off. When that occurs the holding tank rapidly fills and, unless the pump truck from the City is available, raw sewerage would flow to the surface and into the ocean. The Association would be subject to major fines. The Board authorized the President to obtain bids for a generator and fuel tank.

E. DAMAGE TO RADIANT HEATING

The CC&Rs provide that "[s]ubject to any required approval of the Architectural Committee, each Owner shall be responsible for maintaining those portions of any heating and cooling equipment and other utilities which are located within or which exclusively serve his Condominium." Bart Glass reported that when the Units were built, radiant heating was installed in the ceilings or walls and that the radiant heating units in many Units do not work. As provided in the CC&Rs, heating is the responsibility of the Owner. Upon a motion duly made, seconded and unanimously carried, the Board adopted the following resolution:

Because improperly installed heaters present a fire danger, Owners are prohibited from replacing radiant heaters located in ceilings and walls with heaters located within ceilings and walls. Owners are required to utilize electric wall heaters approved by the Association and located within a Unit as approved by the Association.

F. RULE AMENDMENTS

At the April 20, 2019 Board Meeting a proposed addition to the Rules regarding water leaks emanating from a source outside a Unit. It was decided to defer a decision until the next Board Meeting so Owners could comment if they so desired. No comments were received. Upon a motion duly made, seconded and unanimously approved the following resolution was adopted:

RESOLVED, that the following section be added to the Rules and Regulations:

WATER LEAKS EMANATING FROM A SOURCE OUTSIDE A UNIT

1. As a result of the nature and construction of the buildings at Hamilton Cove and their location, from time to time leaks occur causing damage within a Unit. Rain, particularly heavy rain and wind, and rain after a long period of draught, results in water leaking into a Unit. In addition, from time to time a pipe, valve or a part of the fire sprinkler system may fail, leaking water into a Unit. All such leaks are the responsibility of the Association. Water damage caused by rain due to the fact a window or door was left open or because of an unapproved alteration of a building are the responsibility of the Owner.

2. Leaks that are the responsibility of the Association are random. Often times it is not readily apparent where a leak originated. All Owners are required to cooperate with Association employees in their efforts to trace leaks and to repair damage caused by leaks.

3. It is not unusual for rain to result in multiple leaks throughout the project. Leaks are repaired in accordance with the following guideline priorities:

- a) Major damage such as roof damage, broken windows etc.
- b) Leaks that will result in more major damage if additional rain occurs;
- c) Leaks and damage in Units occupied full time;
- d) Leaks and major damage in Units used for Short Term Renting;

- e) Leaks and major damage in Units not occupied full time or used for Short Term Renting;
- f) Leaks that have caused minor damage.

These are guidelines and not strict rules because repairs depend upon the availability of materials and personnel, whether staff or outside contractors, to do the repairs. Storms that cause damage at Hamilton Cove cause damage throughout Avalon and Catalina Island. Outside contractors are often not available. Generally, hiring contractors for the mainland is cost prohibited.

4. When leaks cause damage to the contents of a Unit, the following procedure will be followed:

a) The Facilities Manager will meet with the Owner or the Owner's Representative to survey the damage and develop a repair or replacement plan. The plan will be submitted to the President and to the Board of Directors depending upon the cost of implementing the plan.

b) If there is disagreement as to the plan, the matter will be submitted to the President and, if necessary, to the Board of Directors to reach a resolution. If no resolution is reached, the Owner may proceed in accordance with the Internal Dispute Resolution and Alternative Dispute Resolution provisions contained in these Rules.

5. Some Owners operate a business out of their Units or use their Units for Short Term Renting. The Association is not responsible for any loss of income as a result of a water leak emanating outside of a Unit. An Owner operating a business out of his or her Unit or using the Unit for Short Term Renting can obtain a loss of income endorsement to his or her HO6 Policy which all Owners are required to maintain pursuant to General Rule 22. It would be unequitable to charge Owners who do not operate a business out of the unit or who do not engage in Short Term Renting for the loss of income by those who do so.

The President reported that there was some confusion in the Rules as what an Owner owns and what is Common Area. In addition, questions had come up as to what alterations can and cannot be done in a Unit. He added that the full definition of a "Unit" as contained in the CC&Rs was not contained in the Rules. Upon a motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED, that the following changes highlighted in yellow be made to the Rules and Regulations:

DEFINITIONS

Unit/Residential Element

“Unit” shall mean the elements of a Condominium not owned in common with the Owners of other Condominiums in the Project. Each of the Units shall be a separate subleasehold or fee estate, as separately shown, numbered and designated in any Condominium Plan. Each such Unit consists of a living area space or spaces (“Residential Element”) bounded by and contained within the interior unfinished (meaning exclusive of wall coverings, floor coverings, fixtures or decorations) surfaces of the perimeter walls, floors, ceilings, windows and doors of each Residential Element, as shown and defined in the Condominium Plan. In simple language, a “Unit” is everything inside the walls of a Condominium which is the sole property of a sublessee or fee simple owner. A sublessee or fee simple owner has an **undivided interest** in the Improvements in the Increment where the Unit is located. (Restated CC&Rs Section 1.74) A Single Family Residence on the Remaining Land is a Unit.

UNDIVIDED INTEREST

A “Condominium” consists of the physical Improvements (buildings, utilities, Common Area etc) in which an Owner has an undivided interest and a Unit which is owned solely and entirely by the Owner. An “undivided interest” means that Owners do not own any particular Improvement including the walls, floors and ceilings of his or her Unit.

ARCHITECTURAL/CONSTRUCTION

Architectural Rules

3. The Committee shall utilize a two-stage approval process. The Owner's preliminary submission shall include sketches and a description of the work. After the Committee has approved the basic plan, more complete drawings with detailed specifications may be required. If applicable, the Committee may require engineering studies and approvals and permits issued by the City of Avalon.

4. For general information, the following alterations are listed as examples of what shall not be allowed:

- Pictures, plaques, planters, or flagpoles attached to the outside walls and/or doors;
- Screening or any covering attached to deck railings;
- Exterior shutters or blinds;
- Superimposed materials over common balcony surfaces;
- Planters, fences or pots restricting access to and passage through the common balconies;
- Pots that do not conform to the architectural theme or that are so large as to damage the balcony surface, or that are not placed on rollers, as herein provided;
- Use of dead space for anything except storage; and
- Locks on exterior doors other than the locks originally installed.

G. WATER TESTING

The Association will hire an outside certified testing lab to test the water coming into Hamilton Cove.

HOMEOWNERS COMMENTS

Owners were permitted to make comments throughout the meeting.

EXECUTIVE SESSION

Mr. Bishton indicated that the Board was not going to meet in executive session. There being no further business before the Board, the meeting was adjourned.

SEPTEMBER 1_____, 2019

Martin Curtin, Secretary