

Pirates Cove Townhomes Owners Forum May 16, 2009

Attendees:

Pam/Craig Bailey	#26
Randal/Lisa Glenn	#15
Maureen Appleton	#12
Bill/Veda Augentine	#28
Neat Grubbs (Husband Bryan)	#13 & 14
Allan Kean	#35
John/Cathy Knecht	#30
Jose Martinez	#36
Bill/Joan Horton	#1
Virginia Brown/Board Member	#17
Liz Cook/Board Member-President	#32
Jerry Brewer/Board Member)	#2
David Henley-Board Member	#31
Tim/Brenda Towner	#6

Pam Bailey, Owner of #26, Moderator for the Pirates Cove Townhomes Owners Forum called the meeting to order at the Hawthorne Suites of the Victorian Resort and Conference Center at 6300 Seawall Boulevard in Galveston, Texas, at approximately 3:00 P.M. on May 16, 2009. Pam gave a self-bio of her expertise in association management, stated the purpose of the meeting, and then invited those present to introduce themselves, their unit# as well as their place of permanent residence. Currently only Board Member David Henley is a full time resident of the town homes.

Ms. Bailey then proceeded to give an overview of the hierarchy of governing under which the Pirates Cove Town Homes are administrated as follows:

- Federal Laws (under which FEMA/Flood Insurance is administered)
- State Laws (under which TWIA is administered)
- County Ordinances
- City of Galveston
- Plat
- CC&R (Covenants, Conditions & Restrictions-also known as Deed Restrictions)
- Articles of Incorporation (PCTH is a Texas Non-profit Corporation)
- Bylaws
- Rules, Regulations including those "Board Adopted"

Ms. Bailey further endeavored to explain "Fiduciary Duty" and the "Duty of Ordinary Care," elaborating that the Board's Fiduciary Duty was to make sound decisions based on the information provided by their professional advisors. Under the "Duty of Loyalty" the Board must insure they do not make "self serving" deals and that they run Pirates Cove Town Homes as a business. The key to conflict of interest is full disclosure when making a decision wherein a Board

Member is associated with a decision. Full disclosure was met when resident Jerry Brewer arranged for the Bridge Loan from his bank that facilitated repairs/improvements taking place at a steady and efficient pace, which was to the benefit of PCTH residents.

At this point in the meeting Maureen Appleton, Owners' Representative read questions, which she had previously grouped in-like categories, which were answered by Board Members and Ms. Bailey. The questions themselves raised further questions and discussion therefore these notes will attempt to recount the questions and answers in a similar categorical manner and in the order they were discussed.

Define Board Duties and Limitations: The Board's duties and limitations are set out in the Bylaws, which were emailed to residents previous to the meeting. The bylaws are very broad in scope and all owners should be aware of all governing documents for the Association.

Are we part of a State System of HOA's? We are a Texas Non Profit Corporation; however, there is no State Legal System of governing HOAs.

Are there any paid positions on the Board?

There are no paid Board Positions. Sandcastle Industries is under contract with the Association, and Tim Towner is compensated by Sandcastle Industries as an employee. The monthly compensation to Sandcastle is at the current rate of \$1500.00 per month, which was increased from \$1000.00 per month after Hurricane Ike. When the flow of the workload is reduced by the resolution of Hurricane Ike repairs and issues, the monthly rate will be again set at \$1000.00 per month.

Can the Board Raise Dues without a vote?

Yes, the Board has the power to raise dues without a vote of the membership. Section 4.02, article 4 addresses the basis and maximum of how monthly assessments can be used; 4.3 also addresses assessments and 4.04 addresses "special assessments." To amend the CC&R, there must be approval by 75% of the membership/owners.

Why did dues remain at \$225.00 for so many years without an incremental increase to cover cost of living operating expenses and a reserve fund?

Pam Bailey interjected that during the "development stage" of a complex, it was common to keep monthly dues/assessments low to attract potential buyers; and Board Members also interjected that when they increased the dues from \$200.00 to \$225.00 there was opposition from the owners then for even that much of an increase.

Ms. Bailey also suggested that we have a Professional Reserve Study completed by an independent third party, so that the Board can determine the best method to build our reserve. The estimated cost of a reserve study for PCTH might be in

the range of \$5000.00 and there are several qualified companies in the country that do reserve studies.

What would be a proper reserve for PCTH?

It was explained that there are two types of Reserves:

Contingent Operating Reserve ideally should be equal to one year's expenses—or approximately \$175,000.00 per year

Capital Improvement Reserve for Major Repairs such as parking lots, roofs would be determined by a Reserve Study.

What does PCTH currently have in the bank?

Approximately

\$115,000.00	In Bank
\$ 85,000.00	Dedicated to Expenses
\$ 10,000.00	Savings

The purpose of the Bridge Loan of \$200,000.00 (of which \$160,000.00 has been expended to date) was to consistently keep moving forward on making repairs and improvements while waiting for the SBA (Small Business Administration) Loan and insurance settlements.

All the Ike Special Assessments authorized by the membership, have been paid in full; currently one owner is one month behind on monthly assessments and one owner is two months behind on monthly assessments.

It is the intention of the Board that the SBA Loan (\$600,000.00) will pay off the Bridge Loan. A requirement of the SBA Loan is to raise monthly dues by \$100.00 per unit per month to meet debt service. The SBA Loan has not yet been submitted yet but has an expiration of May 28, 2009.

To date PCTH received \$98,000.00 from Texas Windstorm Insurance (Note: this insurance is provided by the State and cannot be shopped while Flood is provided nationally).

Funds received to date from the Special Assessment, Insurance, and Reserves have been used for the initial post Ike Clean-up and Security Fencing (\$100,000.00 was paid to METRO Construction Services, a DBA of Bob Garrett Construction, owned by Bob Garrett, a PCTH owner who provided immediate on site assistance & presence—again Full Disclosure requirements were met), restoration of electricity (approximately \$140,000.00), garage doors, stairways, wall work on units #37 & 9, among others. Note: stucco is being replaced with more durable Hardi Plank.

Legal council is working on a supplemental claim to TWIA on the behalf of PCTH which could garner 1.4 Million on the high side, though not likely. \$98,000.00 in insurance was received from TWIA to date. PCTH has received most of the undisputed flood insurance reimbursement. There is approximately \$10,000.00 outstanding unless more funding is obtained through legal representation of individual units as a group.

PCTH has no collateral for a conventional or regular loan so the recourse for still needed funds for repairs and improvements has to be via the SBA Loan (resulting in an increase of \$100.00 in the monthly assessment), the Bridge Loan or Litigation. The attorney will receive 30% if we settle out of court and 40% if our case goes to trial, which is standard for cases taken on contingency.

Roof replacement for units 28-32 and 33-37 Dana Drive will commence May 18, 2009. Four to Five bids were received and the new lighter composite material discussed at the previous Owners Meeting at the Forum will be used over the porches. The supplier is located in Katy, which is a plus for our association and saves on shipping fees and delivery delays. The replacement will be complete with new decking and membrane. Metal roofing was considered yet rejected due to the fact that it was considerably more expensive and was not as aesthetically pleasing.

The first re-inspection by TWIA took place in March and the second re-inspection by TWIA took place May 12-14th and was conducted by the same adjustor; however, it was noted that the adjustor took more detailed notes on this most recent visit. The attorney submitted an Engineering Report to TWIA, which showed evidence that the roofing was in need of full replacement rather than repair. TWIA now wants to now conduct their own engineering study. The attorney suggested the least damaged roofs be replaced first so that the study being conducted by TWIA would be allowed to observe the most serious damage; however, that was rejected due to ongoing roof leaks and the approaching hurricane season. Extensive photographs have been taken to document the roof condition. Ongoing photographs also be taken as roofs are replaced to show the extent of the damage.

Pam Bailey suggested that Tim Towner and the Board ask how quickly an engineering study could be completed by TWIA. She also noted that historically it takes about one year to resolve a TWIA Claim on commercial properties such as PCTH.

Was the electrical work replaced to code?

Yes. Bids were considered and the job was awarded based on efficiency, cost, and speed. The City of Galveston Inspector signed off on the work and the contractor provided extra wiring in the underground conduits. Should another flood event occur, the extra wiring will help provide the means to restore electricity without totally redoing the underground wiring. Should meters have been or in the future be required within the individual units, wires would need to be strung above ground to each unit and there was question as to whether this would have met City Code. After the overall repair process is completed, the Board plans to obtain a flood insurance opinion regarding the placement of the electrical boxes as relevant. Solar solutions were considered yet rejected due to cost and immediate needs being met.

While residents appreciate the volunteer efforts of the Board, the overall consensus was that there was a need for more consistent and detailed

communication from the Board to residents. Suggestions for improved communication:

Bi-Weekly Email Updates

Meeting Notes from Board Meetings

Updates posted on the PCTH web site after the emails have gone out for future reference.

Pam Bailey and Maureen Appleton are working on a list of repairs and improvements with a corresponding timeline and cost projection.

Owners are encouraged to remember to keep their tone civil and polite in emails and messages to the volunteer Board and Tim Towner.

It was suggested in the name objectivity that owners continue to send questions regarding their concerns to Owner Representative Maureen Appleton at maureenkap@yahoo.com. These in turn will be emailed to the Board for a reply and/or information that can be relayed to all owners in an attempt to keep everyone informed and cut-down on duplicate questions.

The meeting was adjourned at approximately 5pm.

Respectfully Submitted:

Lisa Glenn

#15