

APPROVED BY THE DRIFTWOOD KEY CLUB BOARD OF TRUSTEES 5/12/11

Driftwood Key Club

Meeting of the Board of Trustees

April 14, 2011

The meeting of the Board of Trustees was called to order at 6:00 p.m. by Larry Schwerin.

Board Members Present: Larry Schwerin, Bill Buegel, Dietmar Hell, Cindy Brooke, John Remington, Mary Bryant

MOTION: Bill Buegel moved that the board move to executive session for the purpose of discussing legal and fiscal issues. 2nd; Passed.

The Board met in executive session and reconvened in open meeting at 7:20 p.m. The attendees stood for the Pledge of Allegiance and board members introduced themselves.

MOTION: Dietmar Hell moved that the board issue an apology to the 4 members of the community affected by the allegations of fraud and theft, and to the community as a whole and withdraw the allegations made against them. 2nd; Passed—5 yeas, 1 abstention.

MOTION: Dietmar Hell moved that the profits from the News Year's Eve parties be returned to the Driftwood Key Club treasury where they will be earmarked for the purpose of purchasing round tables for club use. 2nd; Passed.

It was announced the Scott Limoni, the CPA contracted to conduct the DK audit will be unable to attend the meeting as originally scheduled. With imminent tax deadlines he is unable to attend. He will address a future meeting of the club and has committed to do so at no cost to the club.

OFFICERS' REPORTS:

President's Report: President Schwerin reflected on the many changes that have taken place within the past month. The most recent resignation from the board was Chris McClellan. Cindy Brooke notified the board this evening that she is resigning as Secretary and a replacement will be elected later in the meeting. The meeting agenda for this meeting is long and as much as time permits questions from the audience will be accepted throughout the meeting. Community members in the audience were asked to keep their questions or comments as short as possible.

Treasurer's Report: The complete Monthly Treasurer's Report—March 2011 is included as an attachment to these minutes. (Attachment A)

Treasurer Hell discussed the many issues being addressed by the office staff, the treasurer and board members volunteering to assist. These include:

- The access to the bank accounts has been finalized and the back account balance.
- 5 liens have been filed—some were originally filed incorrectly and had to be refilled.
- Some revenue was put in the savings account rather than disbursed to appropriate accounts.

There are outstanding accounts, including:

11 are making payments--\$1700 outstanding

11 properties have liens placed

31 need further follow-up—some did not know they had outstanding fees. ~ \$20,000.

2 properties are now bank-owned

3 properties have over or under paid dues and are being rectified.

A list of the detail of outstanding accounts is attached to these minutes (Attachment B)

Total Income for the month of March was \$2479.36 and total Expenses for March were \$2996.18

The Total Income for the Fiscal Year to Date is \$584,517.31 and total expenses for the Fiscal Year to Date are \$82,914.88.

Dietmar Hell moved that he be allowed to enlist the services of 2 community members who are accountants to review the books and report their findings of the condition of the books and accounts at this time. 2nd; Passed, following discussion and questions.

Discussion and questions: Cindy Brooke asked the names and credentials of the accountants to work on this. Mike Bryant and Judy Cox are both accountants and have agreed to do this. Judy Cox was present and shared her background, credentials and experience.

Dietmar Hell reported that the final code of accounts is almost complete. Accounts will now use a five digit code to differentiate from previous years. Cindy Brooke asked if this means we are starting over with the books. Treasurer Hell replied we are not starting over and are working with the outside bookkeeper to complete the transition of the financial records. Cindy Brooke clarified that the bookkeeper is still on board and Treasurer Hell confirmed that she is on for the transition.

Dietmar Hell is preparing for Budget development and will be asking the cost centers for input in the process.

Budget prep, continued work on financial records, office organization and billing for dues and slip fees is putting stress on the office staff with a 4 hour office day. The day for the office staff needs to be extended.

MOTION: Dietmar Hell moved that Michelle McDougall's hours be extended to 6 hours per day until 7/1/11 to address the increased office demands. 2nd; Passed—5 yeas and 1 nay.

Discussion and questions: Cindy Brooke asked if the office will continue to be open one Saturday per month. Dietmar Hell indicated it would be looked at. Cindy Brooke expressed concern that the fiscal implications of this change have not been shared with the board.

Cindy Brooke moved to table consideration of this motion pending more budget information. The motion failed for lack of a 2nd.

A discussion of a financial records policy followed. The club has received requests for audits and other financial records from closing companies and individuals within the community.

MOTION: Treasurer Hell moved that the Board of Trustees develop a policy to address distribution of audits. The motion was withdrawn when it was pointed out that policies addressing financial records exist in the policy and procedures manual.

Treasurer Hell reported that a settlement with the former bookkeeper has been negotiated. The former bookkeeper billed Driftwood Key Club \$957 for hours worked beyond the contracted time and late fees brought the bill to nearly \$1200. Treasurer Hell worked with the former bookkeeper and arrived at a settlement of \$800.

Treasurer Hell shared information on a bank service that would allow community members to pay dues and fees by credit or debit card or bank transfer. There would be a \$700 annual fee and a per transaction charge of .35%. An informal survey of the audience did not reflect a large number of members interested in this option.

Vice President's Report: Vice President Bill Buegel had no report

Secretary's Report: Cindy Brooke shared concerns about the March 14, 2011 meeting and criticisms of her abilities as secretary at that meeting. She indicated that the expectation that

the October 201 and November 2010 meeting transcripts be converted to minutes was unrealistic and would take a great deal of time. She also stated that Shawna Ward was dismissed by the Board.

Chris McClellan was recognized and expressed concerns about the events of the March 13, 2011 meeting and asserted that the board intended to remove Loriellen Nichols as Office Manager and that she was in fact fired on 3/14/11 without notifying Chris McClellan, the trustee at the time with supervisory responsibility for the office staff.

President Schwerin clarified events. Shawna Ward resigned and was not dismissed by the Board. Loriellen Nichols resigned and was not fired. The lock on the office door had been changed the night of 3/13/11 to ensure security of the office with several keys not secured. President Schwerin met Ms. Nichols on the morning of 3/14/11 and let her in the office. Chris McClellan was out of the area on vacation and efforts to reach her by e-mail indicated that she would not be checking e-mail during her travels.

COMMITTEE REPORTS:

Governance Documents Committee: The full text of this report is appended to these minutes. Marilyn Johnson, Chair of the Governance Document Committee provided a report to the board on the status of their efforts. Board members were invited to the regular meeting of the committee on April 12, 2011. Some members attended and suggested changes to the proposed changes. Some of these changes were incorporated. There will be a meeting on April 19, 2011 to discuss the proposed changes with community members. It is intended that the final changes will be voted on by members at the Driftwood Key Club annual membership meeting in August 2011.

MOTION: Schwerin moved that the Governance Document committee send draft by-laws changes to community members for input and to the attorney for legal review after the community meetings and prior to the August meeting. 2nd; Passed unanimously.

A copy of the proposed changes to the Governance Documents as of 4/14/11 are attached to these minutes.

Copies of the documents will be made available electronically prior to the April 19, 2011 Governance Document Committee meeting. Limited hard copies will be available at the April 19th meeting.

Discussion and questions: Cindy Brooke asked about the format for the governance documents that will reflect current language and changes. Marilyn Johnson said that the traditional format of strikethroughs and underlines makes the documents very hard to read and understand. This will be worked on over the next several months. Audience members asked the documents be made available in paper format for community members who do not use e-mail.

Architectural Control Committee (ACC): Bill Buegel, ACC Chair, reported that there are 2 projects, both remodels, in front of the ACC currently or will be shortly. The Asp residence has approved plans, does not change the building height and a check for the ACC deposit is in transit.

MOTION: Bill Buegel moved that the Asp project be approved to proceed pending receipt of the check. 2nd; Passed.

President Schwerin thanked community member Paul Davis who has offered to assist with the ACC and asked for additional volunteers to work with this committee.

Buildings and Grounds Committee: The full text of this report is appended to these minutes. John Remington, B & G Chair, reported that the poolhouse roof was addressed during two workdays this week. Solar panels were removed, the roof was cleaned of moss, shingles were replaced where needed and the panels were replaced. Removing the panels required cutting the pipes so the pipes were reattached with unions that will allow for easier removal in the future. Remington thanked Alan Arnesen who helped Rich Heusey and himself in this work.

There will be a Spring Clean Up on May 21, 2011 and community members are encouraged to participate.

A resolution is being investigated for the mountain display board. At the cost of about \$500 the sign can be imbedded in resin that is stain and weather resistant and can be easily polished to remove scratches. A small mock up is being treated with this process and will be brought to the board prior to moving forward with the large sign.

Stormwater Committee: The full text of this report is appended to these minutes. The full text of the Buildings and Grounds and Stormwater Committee reports is appended to these minutes. John Remington, Stormwater Committee Chair, reported on the backyard habitat grant. Driftwood Key Club has received this \$2500 grant from Kitsap County to remove noxious weeds in the area between the community beach and the Key Place homes. The first contract for \$800 for the removal of noxious weeds has been signed. Quotes for the design and

replanting of the area with salt tolerant native plants are being solicited from the contractor doing the removal. Work should start in the next month.

There will be a committee meeting to address the Lot 54 Stormwater management proposal from the County on Monday, 4/18/11 at the clubhouse. Chris May will speak at the May Board of Trustees meeting. At this time it appears a special membership meeting will be necessary to vote on the best stormwater proposal. Details for this will be presented in the future.

Docks and Waterfront Committee: Bill Buegel, Docks and Waterfront Chair, reported that repairs on the marina have been completed by a team of 40 volunteers during March. Work completed included repairs to the water system, waste pump out, channel markers, replacement of batteries in the solar lights and regrading the parking lot. The estimated cost saved by the volunteer efforts is nearly \$2000.

Bill Buegel reported that he and Mary Bryant worked with the office to update and correct marina files.

The committee is growing and an e-mail list of boat owners and ramp users is being developed to facilitate communication. A core committee will be working on plans for future maintenance and required plans to rebuild the marina in case of catastrophic loss. The committee met on April 12, 2011.

Budget recommendations have been submitted to Treasurer Hell to address the needs of the Docks and Waterfront committee in the next budget year.

Bill Buegel identified activities that are under consideration by the committee including:

- Moving boat ramp slip holders to vacant marina slips and returning the slips at the ramp to use by transient boaters
- Proposing the rehiring of the former harbormaster
- Securing an insurance rider that will cover liability for the harbor master or club members helping people dock or adjusting mooring lines as required
- Developing cost-sharing plan that makes accounting easier between the club and the marina.
- Replacing slip numbers on all slips in the marina.

Cindy Brooke encouraged Bill Buegel to notify all community members of future meetings of the committee as required by the by-laws. She also suggested that he look at the reasons for the dismissal of the former harbormaster before rehiring him. Chris McClellan stated that the

original resolution to hire the harbormaster was for temporary employment. Bill Buegel stated that the former Harbormaster was not given the opportunity to defend himself when he was fired and that his firing was not voted on by the board.

Policies and Procedures Committee: Bill Buegel is the liaison to this committee. Policies CP 01, CP 05 and BR 08 will be considered by the Board of Trustees at their next meeting. The President's Handbook will also be available for board approval in the near future.

MOTION: Bill Buegel moved that the Board of Trustees approve policy BR 01-Trustee Duties and Responsibilities (2011 Revision) as amended, 2nd; Passed

Discussion and questions: Cindy Brooke asked why the language addressing adherence to club rules and regulations was removed from this policy. Chair Don Jones explained it is addressed in BR 08.

Pool Committee: The full text of this report is appended to these minutes. Cindy Brooke, Pool Committee Chair, presented a proposal to update and upgrade some pool equipment. The proposal was developed by Alan Arnesen and Cindy Brooke.

MOTION: Cindy Brooke moved that the board proceed with the purchase of three pieces of equipment identified in the proposal: Liquid chlorine dispenser, 2nd chlorine generator with controller panel and a CO² dispenser for a total cost of approximately \$1900 + tax. 2nd; Passed.

Discussion and questions: Dietmar Hell suggested that the appropriate line for funding this purchase is the capital improvement fund in the building and grounds budget.

Events Committee: Mary Bryant, Event Committee liaison, reported that plans are well underway for Driftwood Key Day on May 28, 2011. This event, formerly Opening Day of Boating, is sure to be a great time with games, a boat parade, recognition of community veterans, food and drinks and A DUNKING TANK! The organizers for this event were recognized: Mike and Jeanne Shea, Constance and Gene Borgomainerio and Michelle McDougall and Jack Larrison. A meeting for volunteers interested in helping with this event will be held on Monday, 4/18, 2011 at 7:00 p.m. at the DK Clubhouse.

Mary Bryant shared the final draft of the Event Planning Form and Recap/Reporting Form that has been developed to help event organizers plan effectively for events. This form is being

tested with the DK Day event and changes may be made based on the input from this experience and presented to the board for final approval in the future.

Lot Clearing and View Obstruction Committee: Deferred to new business.

Investment Committee: Deferred to May Board of Trustees meeting.

OLD BUSINESS:

Minutes from October 2010, November 2010, February 2011, March 10, 2011 and March 14, 2011: These minutes are not available in approvable form. The minutes from the August 2010 Annual Membership Meeting are not available.

MOTIONI Dietmar Hell moved that Mary Bryant be elected to fill the vacancy in the position of Secretary due to the Secretary Brooke's resignation from that position at this meeting. 2nd;
Passed

Don Jones, chair of the Policies and Procedures Committee, suggested the board may need to review and change the policy related to minutes from the Annual Meeting.

Events Accounting: The substitute motion to address events accounting tabled at the last meeting was taken up for discussion.

MOTION: Secretary Bryant moved that the tabled motion be amended by substitution of the following language:

The Driftwood Key Club will establish a three tier event financing process as follows:

Section 1: Driftwood Key Club Sponsored Events—Costs are covered by DKC (through current revenues or payments from attendees or event participants). All receipts and expenditures are accounted through the DKC's books. DKC pays the bills, gets the profits and covers any debts. An event plan that shall include anticipated costs and revenue shall be approved by the Treasurer prior to the expenditure of any funds for the event. The event shall be open to Driftwood Key members as a minimum and may be open to a broader audience. Revenues in excess of expenditures shall be available for use by the same event in the future unless a use for the funds by DKC is clearly identified and approved by the Treasurer during the planning process. Final reporting of expenditures for an event together with all accountable receipts shall be submitted to the Treasurer within 10 days of the completion of the event.

Section 2: Driftwood Key Co-Sponsored Events—This refers to events co-sponsored with one or more non-profit organization(s) not directly affiliated with Driftwood Key Club (DKC). The revenues and expenditures will be handled by the treasury of the partner non-profit organization or revenue may be managed by the Treasurer in a pass-through mode to facilitate the event activities. Driftwood Key Club allows the use of facilities and/or advertisement for the event in Keynotes or other normal DKC communications media. The DKC Board shall approve individual events and recurring events based on a request that shall be submitted to the Board for approval at a normally held Board meeting prior to the event. DKC is not responsible for any debts incurred and will receive no profits from these events. The events shall be open to Driftwood Key members as a minimum and may be open to the public. DKC- shall require the organizer of such events to file with the office any permits required such as Liquor, Food Service or Marine permits.

Section 3: Private Events—Costs are covered entirely by a private party. Rent is paid for facility use. DKC incurs no cost for such an event. The event is not open to Driftwood Key members other than those invited by the private host. 2nd; Passed--5 years, 1 nay

Discussion and questions: Questions were asked about what kinds of events this applied to. This would generally apply to events rather than on-going activities. Cindy Brooke suggested that this was designed to support the use of the clubhouse by the fishing club and cautioned about liability to the Driftwood Key Club for fishing club actions at meetings and their frequent use of the clubhouse. This misinterpretation was corrected by the maker of the motion. It was further explained that this system would rather address events such as joint events with the garden club, the fishing club or Ladies Aid, for example.

Finance/Audit Committee: The issue of the formation of a Finance/Audit Committee has been discussed at several previous meetings.

MOTION: After amendment, a motion by Bill Buegel was placed before the board to establish a finance committee composed of the Treasurer, two Trustees appointed by the Board of Trustees and two community members appointed by the Board of Trustees. The appointments will be made at the monthly meeting following passage of this motion. The functions of the committee are to meet monthly or as often as the Committee deems necessary to review and approve the financial records of the Club and report to the Trustees. 2nd; Passed.

President Schwerin turned the gavel over to Vice President Buegel so he could address this motion.

Discussion and questions: Larry Schwerin provided more detail on the purpose of the committee. In addition to those outlined in the motion, the committee will provide continuity

in the fiscal operations of the club when there are changes in trustees or club employees. Cindy Brooke questioned the language referencing the involvement of the Treasurer with the auditor and questions how an independent auditor could operate with such interaction. Mary Bryant suggested that significant detail related to the committee's charge will be developed in the charter of the committee. Cindy Brooke further suggested that there is no one handling the books who is conversant in GAAP.

Smith Litigation Resolution: Larry Schwerin presented a motion that will bring final resolution to the Smith Litigation.

MOTION: Dietmar Hell moved that in accordance with the terms of the settlement of the Smith v. Driftwood Key Club litigation, Kitsap Cause 08-0084-5, Driftwood Key Club waives and forgives any claim for dues or assessments against Linda C. Smith. 2nd; Passed—5 years, 1 abstention.

Discussion and questions: Cindy Brooke asked if additional language is needed to make sure this resolution is limited to Linda C. Smith in compliance with the court ruling and not to heirs or assigns. Larry Schwerin assured her this does not give any rights to heirs or assigns.

NEW BUSINESS:

Board Vacancies: In the absence of Mark Bell, Nominating Committee Chair, Mary Bryant presented the recommendation of the nominating committee to fill one vacancy on the Board of Trustees that will end in 2012.

MOTION: Mary Bryant moved that John Goldingay be appointed to fill the vacancy on the Board of Trustees that will end in 2012. 2nd; Passed

Discussion and questions: Mary Bryant shared biographical information on John Goldingay.

Governance Documents: This item was addressed under the Governance Document Committee report.

Financial Record Review: This item was addressed under the Treasurer's Report.

Financial Record Access Policy: Treasurer Dietmar Hell shared a request received for Driftwood Key Club financial information from real estate agents related to the sale of property in the community.

Don Jones, Policies and Procedures chair, was asked for information on our existing policies and procedures related to this. Our documents allow for charging members for the duplication of records to cover costs. Our policies do cover the release of information to mortgage companies or closing agents which would cover this instance.

MOTION: Treasurer Hell moved that audits be made available to community members who request it at published rates to cover copying and personnel costs for hard copies and free of charge for electronic copies. 2nd; Passed—5 yeas, 1 abstention.

Discussion and questions: Cindy Brooke asked if this will include the management letter. It was stated that the entire audit will be made available. The materials will not be available electronically.

Office Hours: This issue was addressed in the Treasurer's report.

Pool Equipment: This issue was addressed in the Pool Committee report.

Lot Clearing: Following the article in the April Keynotes about the positive outcome of a recent lot clearing mediation an additional request for mediation has been submitted by a community member.

MOTION: Larry Schwerin moved that the board accept the recent request from a community member for mediation to resolve a lot clearing issue. The mediation process will be conducted by Larry Schwerin and the contacts and planning will be handled by a board member to be identified. 2nd; Passed unanimously.

Keynotes protocol: Postponed until May meeting.

Clubhouse Access Policy: Postponed until May meeting.

Electronic Communication Committee: Postponed until May Meeting

Member Account Collection: Cindy Brooke asked about the status of the collection of delinquent accounts, specifically an account that has been targeted for foreclosure. This collection activity will proceed in the future.

Caretaker contract: The caretaker's contract ends on April 15, 2011.

John Remington moved that the contract with the caretaker be renewed through June 30, 2011 with some minor changes with the same scope as the summer 2010 contract. 2nd; Passed unanimously.

Ladies Aid request: The Ladies Aid group in Hansville has asked for permission to use the clubhouse area the weekend of September 3 and 4, 2011 to hold a rummage sale. The proceeds of the sale will stay in the Hansville area to provide help to neighbors in need.

MOTION: Mary Bryant moved that we support the Ladies Aid Rummage Sale and allow the use of the clubhouse and DK communications for publicity in keeping with the new Events policy. 2nd; Passed

Cindy Brooke moved to adjourn. 2nd. Passed

Good of the Order:

Cecile Loitz supports the extension of the hours of office operation and expressed support for Michelle McDougall.

Constance Borgomainerio thanked the board for support in clearing their names after the accusations that were made against them in the past.

Jerry King thanked the board for the very positive Keynotes that came out in April. All of the articles were positive and that is good for the community.

Submitted by Mary E. Bryant, Secretary

Secretary

Date

President

Date

Appendix

Buildings and Grounds Report

BUILDING AND GROUNDS/STORMWATER REPORT:

Buildings and Grounds

- Pool bldg. roof. Alan Arnesen, Rich Heussy and I spent a bit over five hours Monday and two plus hours Tuesday, April 11th & 12th, repairing the pool bldg. roof. All of the solar panels were removed, moss and dirt swept off, damaged shingles replaced, moss killer sprayed on and panels reinstalled. The water supply lines, which were all glued together, had to be removed with a Sawsall. When we reinstalled the assembly Alan provided unions so that they can be easily removed and reinstalled in the future. Alan will make all of the final connections and startup over the next several weeks to be ready for the pool season.
- Spring Cleanup. Scheduled for the Saturday before the Memorial Day Weekend, May 21, 2011. Bring your gloves and tools and we will spruce things up a bit.
- Mountain sign. To be embedded in plastic resin. Extremely hard, crystal clear, monolithic so waterproof, can be polished if scratched although virtually indestructible. Presently with John Geigle of Masterpiece Models. He will do a test sample on Bob Bock's early mockup for our approval. Resin cost approx. \$500. \$1,500 previously approved for project. Some material costs for mounting at site. Location preliminarily determined west of pool bldg.

Storm water.

- Wetlands Backyard Habitat Grant. Approved for \$2,500 effective March 31, 2011. Contract for noxious weed removal signed and returned to Ruby Creek Landscaping with a request for the two required additional quotes; one year maintenance and the furnishing and installation of salt water tolerant native plants. Carin Anderson, Kitsap County Resource Planner to be involved in identifying plant types and assisting in the design of their placement.
- Lot 54. Storm water Committee meeting Monday evening at 7:00 in the Clubhouse Library, which will overflow to the main room if necessary.
- Chris May from Kitsap County Storm water will give a presentation to the community at the May Board meeting.