



ANNUAL GENERAL ASSEMBLY MEETING

DATE: Thursday, March 10, 2011

PLACE: Hola Grand Faro Hotel, Litoral Room, San Jose del Cabo, BCS, Mexico

TIME: 10:00am

MINUTES

Call to Order

The meeting was called to order at 10:10 a.m. by Elliott Urquhart, Secretary and Co-Chairman

Attendance List

Refer to Attachment 1.

Election of Two Tellers

Eric Siniscalchi Villa 5, #103

Robert Landry Villa 11, #201

Quorum Statement and Installation of the Assembly

A count of 55 Homeowners was represented either through attendance or Proxy (52%). A quorum was not established. It was moved by Wendy Youzwyshyn, and seconded by Geri Urquhart to waive the time requirement to wait for the second call. **Motion Carried Unanimously**

Approve the Agenda

The agenda was approved with the following modifications, the discussion and approval of the budget (Motion #3) was moved to the end, to allow for recognition of the impact of other motions, Motions #6 and #7 were moved forward to accommodate Mario Gadsden's availability to make pertinent comments. Additionally, the Directors' reports would not be read, but Directors would respond to questions. It was moved by Wendy Youzwyshyn, and seconded by Ethel Skinner. **Motion Carried Unanimously**

Business arising from the Minutes of March 4, 2010

There were no comments. It was moved by Len Youzwyshyn and seconded by Sandra Van Mol that the minutes be approved. **Motion Carried Unanimously**

Administrator's Report

Eric Siniscalchi moved to accept the Administrator's report, the motion is seconded by Stewart Drummond. **Motion Carried Unanimously**

Treasurer's Report

Wendy Youzwyshyn asked for clarification on the comments regarding the Insurance Contingency Reserve Fund. Ken stated that, in fact, \$15,000 was deposited for 2010,

and another \$15,000 was slated for deposit for 2011. Geri Urquhart stated that the Treasurer and the Board are required to fund the Maintenance Contingency Fund and that entry must be shown on the budget. The budget entry requirement also applies to the Insurance Contingency Fund. Don Barry confirmed the accounting practice in that regard. Ken accepted the correction, and stated that the funds were committed for 2011. Sandy Van Mol objected to paying for condo water as well as a 6.8% increase in Strata Fees, in these tough financial times. Ken responded that there had not been an increase since 2009, and that we have experienced inflation in local costs and that the increase was justified. Sandy raised concerns about the pool contractor, and wanted assurance that the pools would be properly maintained, including the solar heating system. Ken assured Sandy that the pool contractor was now responsible for all pool related cleaning and maintenance. It was moved by Len Youzwyshyn and seconded by Stewart Drummond that the Treasurers report be accepted. 49 Approved, 6 Opposed. **Motion Carried**

2011 Operating Budget

It was moved by Phyllis Pezzoli and seconded by Barbara Kelly that the budget be the last motion, as other motions could impact the budget. **Motion Carried Unanimously.**

Parking Committee

Sandy Van Mol stated that the parking committee would appreciate cooperation from Homeowners regarding parking designation. Green curb areas are for 15 minute parking to drop groceries or luggage etc, and red curb areas are No Parking zones at all times. Barbara Kelly thanked the committee for removing non Phase II cars from the Villa 7 area. Len Youzwyshyn asked the Administrator to continue to monitor unauthorized cars in that area.

Maintenance Report

Robert Landry asked what could be done about the fumes from the gasoline powered blowers used by the cleaning crew and the frequency of this cleaning. The fumes enter his condo and cause breathing issues. The Administrator advised that the frequency of cleaning would be reduced this year, and that the blowing would be scheduled for Mondays giving owners an opportunity to close their windows as a precaution. Bill Tough moved that the maintenance report be accepted, seconded by Geri Urquhart. **Motion Carried Unanimously.**

Developers Report

Our developer, Mario Gadsden commented on the Fideicomiso process being used by many owners. Mario stated that his office required 4 to 5 days to process and sign the Fideicomiso documents once they are received from the Notario. Mario's office checks all information against his "owners" file and then signs and releases the documents. As of March 10, 2011, he had no documents pending.

Mario intends to transfer the balance of the garages to a regime later this year. He also invited owners to e-mail him if they had concerns about their documents.

Mario discussed his progress on the Commercial Plaza in Phase III, and is expecting completion in November of 2011. The last two villas in Phase 3 will have improved interiors with granite and marble, the layouts will be similar to the other phases. He is working with Baja Properties to attract upscale retail stores to the plaza. Baja Properties is also handling sales of the new Phase III condominiums as well as the resale of property in La Costa. Approximately 10% of La Costa Condo are for sale, a percentage typical of previous years.

Mario said that he plans to focus on Villa 2 in Phase II after Phase III is completed. The exterior of Villa 2 will be the same as prior Phase II villas, with improved interiors. Several garages are being held in reserve for Villa 2.

At this point, discussion on Motion #7 and Motion #6 commenced due to Mario's knowledge of the issues and his limited time at the AGM.

Motion: 7

Moved by Pat Platz and seconded by Ken Belik that La Costa Phase 2 be declared an adult only vacation condominium community.

As such, future owners or renters would be advised by the

Administrator that La Costa Phase 2 is not suitable for permanent residency of children (17 years and younger) and, as such, is not a child friendly community. As has always been the case, children are more than welcome as visitors or guests of homeowners and renters. In Favor-7; Opposed-48. **Motion Defeated.**

Discussion:

Mario stated that this motion is not legally enforceable in Mexico, it cannot be put in writing, and Phase II cannot be declared an adult only or child unfriendly community, since it was not declared as such at its inception. The majority of Homeowners rejected the implication that La Costa was an adult only community. There was substantial discussion regarding the negative impact this motion has had on homeowners and the potential resale of condos in Phase II. The complex meets local standards for construction and occupant safety, and is very well built. Owners believe the complex is safe for both permanent residents as well as visitors and guests.

Further more it is the desire of the Phase II Homeowners, that: *There will be no communication sanctioned by Phase II to Realtors, Property Managers, Rental Agents, Owners, Tenants, or any one else, regarding the occupancy of children in the Phase. Phase II is child and family friendly.*

Background:

La Costa Phase 2 was not developed to accommodate the recreational or safety needs of children. The complex is unsuitable for children because there are no common play areas, the pools are not fenced, the railings are hazardous to children, and the stairways are steep.

In addition, the property on which La Costa Phase 2 is situated was purchased from FONATUR (Fondo Nacional de Fomento al Turismo) on April 26, 1996, on the condition

that a tourist resort be created on the condominal lot with related touristic services. Thus, the development known as La Costa Phase 2 was never intended as a residential family development. In Favor-7; Opposed-48. **Motion Defeated.**

Motion: 6

Moved by the Board of Directors that all Homeowners be made aware of the need for new water storage cisterns as the existing system is deteriorating. The new concrete system would be installed in Lot Two with the permission of the developer. The four, 10,000 liter cisterns would be made of concrete and tied in together to form a 40,000 liter reservoir. It is estimated that this capital project would cost \$180,000.00 pesos. The Project would start this spring and would be paid for by the owners with a special levy of \$1500.00 pesos for each of the 120 units in Phase Two. (108 existing and 12 proposed for Villa Two). The levy would be due upon the passing of this motion. In Favor-30, Opposed-25. **Motion Carried.**

Background

The existing five plastic cisterns have deteriorated and two have developed leaks. (This became apparent after the water meters were installed and the water loss could be measured,) In order to keep supplying the complex the cisterns have been modified with bladder inserts but that will only get us by for the next short while. The use of connected concrete cisterns will be a long term solution. By connecting the four cistern units this will eliminate the need for individual pumps. The existing plastic cisterns would be retired over time as they wear out or become too costly to repair/operate.

Discussion: There was substantial push back by the Homeowners, that the developer should be responsible for replacing this deteriorating equipment. Mario's sales agent assured perspective buyers that the developer would be installing appropriate infrastructure such as water, sewer and utilities. Mario said he thought the cisterns were 8 years old, and had a 20 year life expectancy. The developer installed the cisterns, and if they are faulty, or were improperly installed, it is his responsibility to repair or replace. He has the relationship with the manufacturer and the installation contractors, not Phase II. Furthermore, the developer should be guaranteeing the infrastructure. It is especially unreasonable for the owners of the newest villas to contribute to replacing cisterns so soon. Mario so far has refused to accept responsibility. The second area of concern was whether this should be paid for out of our reserve fund as opposed to a levy. The motion was not amended. In favor 30, opposed 25. **Motion Carried.**

Break

Motion: 1

Moved by Ken Belik, seconded by Elliott Urquhart, that Rolando Gonzalez, C.P.A. be appointed La Costa Phase 2 accountant for 2011. **Motion Carried Unanimously**

Motion: 2

Moved by Ken Belik, seconded by Elliott Urquhart, that the December 31, 2010 Financial Statement prepared by Rolando Gonzalez, C.P.A., be approved and signed by the President and Secretary. In Favor-51; Opposed-3. **Motion Carried.**

Motion: 3 (Actually discussed last)

Moved by Elliott Urquhart, seconded by Pat Platz that the 2011 Budget Plan prepared by the Treasurer be approved and signed by the President and Secretary. In Favor-47; Opposed-8. **Motion Carried.**

Discussion

Cecilia was asked to excuse herself for this discussion. Some owners believed that the combination of the cost of living increase and the performance bonus is excessive. The Administrator is paid very well for the work she performs. Ken said that a documented performance appraisal, completed by 3 board members, was discussed and that while there were areas for improvement, Cecilia's performance warranted the increase.

Motion: 4

Moved by the Board of Directors that Homeowners strata fees be set at \$135 for a 1 bedroom, \$170 for a two bedroom and \$265 for a three bedroom condo, effective April 1, 2011. This new rate reflects a reduction of approximately 6.8 % as a result of the download of water costs to Homeowners and an increase of approximately 6.8% as a result of inflationary pressures experienced since the last increase in strata fees on January 1, 2009. In Favor-31; Opposed-23. **Motion Carried.**

Motion: 5

Moved by the Board of Directors that all Homeowners will now commence to pay for water usage as per their individual water meter reading as of April 1st, 2011. The water meters will be read twice a year, June 30th & December 31st. With billing shortly thereafter. As these billing dates are at a time when some of the owners may not be present at La Costa and to ensure that monies are received in the same year that the water bills are paid, it will be a requirement to establish a 1000 peso credit in your water account by April 1, 2011. This prepayment is to be made at the administration office and the Administrator will advise homeowners of the status of their water account from time to time and will advise homeowners when a further replenishment is required. In Favor-46; Opposed-8. **Motion Carried.**

Background

In order to eliminate a fee adjustment to each owner and to have additional time to check out and confirm the meter readings to each unit The Board is suggesting the start of the billing be moved ahead from January 1st 2011 to April 1st, 2011.

For prepayment purposes, a rough estimate of the monthly consumption of the average unit is about 10M3 per occupied month and at 30 pesos per m3 it would be about 300 Pesos per month.

Motion: 8

Moved by Ian Cochrane seconded by Robert Pezzoli. That the Board has the roof tiles on all Villas assessed, and repaired or replaced where necessary, with consideration given to having a pathway of stronger tiles leading to the tinacos on all Villas, to prevent future tile breakage when access to the tinacos is required. In Favor-51; Opposed-3. **Motion Carried.**

Background

My name is Ian Cochrane. My wife Audrey and I live in Phase II, Villa 10, Unit 301, of Club La Costa. We purchased the unit in July 2010 from Alan Olinyk. When we first moved in there was very poor water pressure & some toilets weren't flushing properly. We contacted Mico Services, who quickly determined that there was a problem with the pressure pump for our unit. Two employees of Mico Services went up onto the roof to the tinoco to make repairs. It was suggested that I accompany them to familiarize myself with what was in the tinaco that could affect our unit. While on the roof we saw numerous broken roof tiles, both on the path to the tinaco and elsewhere on the roof. It was apparent that the broken tiles could present a problem for the roof leaking in the event of a severe rainstorm. They would also be a safety hazard in the event of a severe windstorm in that the broken tiles could easily be blown off the roof possibly hitting a passer-by. This issue has been brought to the attention of the Phase II office both by my wife & I and by Mico Services in July 2010.

Motion: 9

Moved by Betty Palmer, seconded by Rob Currie. We would like to make the following motion. That the board looks into installing more or improving present TV satellite systems. It appears some Dishes are at maximum output. Any costs to be paid by the users only. In Favor-49; Opposed-6. **Motion Carried.**

Discussion: The current TV dishes are at their maximum capacity. As owners require additional lines for 2nd TV sets, HD with recording capability, more antenna space is required. The board agreed to increase TV availability where dishes and related equipment are at their maximum. In the past, Phase II reimbursed the owners who brought down dishes, and installed them in the common areas. Owners are responsible for pulling cable into their condo. It was noted that the future of TV reception is through the Internet, and it may be unwise to invest much more money in aging Technology.

Background

The Star Choice satellite dish located between villa 11 and 12 is maxed out. I hired a local contractor who confirmed this situation. If our HOA wants to control where these dishes are located, they must take some action, otherwise dishes will appear everywhere. Phase 1 installed 11 of these dishes complete with all new wiring at a cost of \$20,000. This system is owned by the HOA. I have two quotes at just under \$1,000.00 per dish.

Motion: 10

It is moved by Bob Pezzoli and seconded by Al Benson that garage fees be reduced to \$40 for most garage owners, and to \$120 for garage owners with refrigeration units in their garage. (The fee is \$80 for each refrigeration unit, in addition to the \$40 charged to every garage owner.) Further, that there be no significant garage maintenance fund deposit made in 2012 and beyond, and that the garage owners are charged 2.5% of the Administrators costs and 2.5% of the Liability and Earthquake insurance premium for Phase II verses the current charge of 5%.

This motion aligns garage revenue more closely to the garage related expenses, and assigns higher energy usage costs to owners who chose to have refrigeration units in their garage.

Currently, the residual of the garage fee revenue, minus the garage related expenses (Administrative, electricity, and maintenance costs goes into a Garage Maintenance Reserve, a spread sheet accounting. Based on 2009 (\$3269USD) and 2010 (\$3518USD) information received from the Phase II Administrator, and \$3000USD for 2011, the Maintenance reserve will have a positive balance of approximately \$9,800USD at the end of 2011. No garage maintenance has been performed to date. The fee structure proposed in this motion will substantially reduce contributions to the maintenance reserve. As maintenance funds become depleted over time, a motion to increase fees can be proposed.

The reduction in the percentage of the Administrators expense charged to the garage owners reflects the limited amount of time the administrator spends collecting 60 checks verses the substantial responsibility involved with managing all of Phase II collections, contracts, banking, board meetings, communication and issue resolution. Likewise the value of insuring simple garages, as compared with 3 and 4 story complex condominium structures and pools is not properly reflected in the 5% allocation. In Favor-21; Opposed-10. **Motion Carried.**

Discussion

In addition to passing the garage motion as stated, it was agreed that an entry will be made on the financial statement reflecting the amount of accumulated money in the garage maintenance fund. Prior to January 2012 garage owners will need to show the Administrator or a board member that they do not have a refrigeration appliance(s) in their garage in order to benefit from the reduced garage fee.

Motion: 11

Moved by Phyllis Pezzoli, seconded by Joan Eidson, that Phase 2 spend \$1250 immediately to purchase 18 new blue lounge chair cushions for pool #3. They are available at Costco for 759 pesos each. At 12.30 pesos to the dollar the cost is \$1250 US including 11% IVA. In Favor-33; Opposed-25. **Motion Carried.**

Motion: 12

Moved by Phyllis Pezzoli, seconded by Joan Eidson, that Phase 2 allocate \$2650 in 2011 to purchase 12 mesh lounge chairs, one table, and 8 chairs for pool #1 to replace the deteriorating white plastic lounge chairs there, and allocate \$2650 for 2012 to purchase the same 12 mesh lounge chairs, one table and 8 chairs for pool #2. In Favor-31; Opposed-22. **Motion Carried.**

Background

The mesh chairs and chaise lounges are more durable and more comfortable than the plastic furniture we currently own. In addition, the mesh furniture will stack for efficient storage, and the chaise lounges do not need supplementary cushions for comfort.

The three pools in our complex are one of our greatest assets, and they are also one of our greatest expenses. Since most homeowners and their families and guests enjoy using the pools, we should attempt to make them as pleasant, attractive and comfortable as possible. And since the pools require maintenance and upkeep, the replacement of aging and deteriorating pool furniture should be included in the maintenance plan as readily as the pool pumps and filters. The furniture is an integral part of the pleasant experience.

I further suggest that if the cushions are not being used by homeowners during the summer months that they be stored out of the sun and weather, perhaps in a garage.

At pool number 3, there is room under the palapa closest to the equipment stairway to place a lounge chair on which some of the cushions could be stacked and stored. It would be helpful to get into the habit of putting the cushions away after use to protect them from the sun and weather. Maybe a sign near the cushions would encourage this behavior, or maybe a volunteer would be willing to place the cushions in a protected area at the end of each day.

Motion: 13

Moved by Robert Landry, unit 201, villa 11, seconded by Gerry Allen, unit 103, villa 4, that pool n° 3 and it's deck area be designated as adult only from 4 PM to 5 h 30 PM. In Favor-8; Opposed-45. **Motion Defeated.**

Background

The rationale for this proposal is to reserve a time of day at a pool where adults can have a quiet time for relaxing, exercise and leisure swimming, reading, chatting with their neighbors, etc, in a quiet relaxed atmosphere.

Pool n° 3 is ideal for that purpose due to the size of the pool and of the hot tub.

Discussion

Homeowners did not want additional restrictions placed on Phase II. Additionally, pool #3 is the only pool with a child wading pool, making it most accommodating to children.

Motion: 14

Moved by Gerry Allen, unit 103, villa 4, seconded by Robert Landry, unit 201, villa 11, that there be chlorine pucks made easily accessible for the pool committee to use when needed. In Favor-53; Opposed-3. **Motion Carried.**

Background

The rationale is that the present pool company does not put enough chlorine in the pools, and especially hot tubs, to keep water clean in all circumstances. The pool cleaners attend the pools three times a week and there are times, depending on usage, where there is not enough chlorine to keep the water clean between servicing intervals. There should be a supply of pucks kept in an area accessible by all committee members so that they can add them in when necessary.

Motion: 15

Moved by Edward Karanevich, seconded by Janet Dellaire. To provide common area Internet access for all. Phase III provides this services to its members. It is inexpensive and enjoyed by many members. Cecilia has the name of the company that provides this service to Phase III. I have been told this service should cost the association about \$30 USD a month (maybe as little as \$20 a month). This will be a total yearly fee (expense) of only \$2.40 USD - \$3.60 USD per unit. However, there will be a one time installation fee that will be determined by the location of the Internet access most probably the area around our main pool. Even if the installation fee is hundreds of dollars, remember it is only a one time fee and that would still be less than \$10 USD (one time) for each unit in the association. Any questions please contact the phase III Administrator. Thank you for your consideration. In Favor-2; Opposed-53. **Motion Defeated.**

Motion: 16

Moved by Wendy Youzwyshyn, seconded by Janet Dellaire that Enviromass be contracted with to provide recycling services for Phase II. See the attachments for additional detailed information. The cost for one pick up per month is 20MxPesos/unit, for two pick ups per month 25MxPesos/unit, or approximately \$2120 USD/yr and \$2650USD/yr for Phase II. In Favor-7; Opposed-48. **Motion Defeated.**

Discussion

The Homeowners were in favor of recycling, since most participate in similar programs in their home communities. Cecilia, the Phase II Administrator, advised those present that the current trash collection contractor will collect and sort our recycling material at no additional cost. Since it was anticipated that recycling is available at no additional cost, the motion was defeated. Cecilia, will make arrangements for recycling bins to facilitate collection.

Nominations

Moved by Bob Pezzoli and seconded by Elliott Urquhart that Don Barry be elected to the board.

Nominations from the floor

Robert Landry volunteered, moved by Len Youzwyshyn and seconded by Dick Coxford.

Brad Stoesz volunteered, moved by Len Youzwyshyn and seconded by Dick Coxford.

All three candidates were unanimously elected to the board.

The retiring board members were thanked for their efforts.

The 2012 AGM is scheduled for Thursday March 1, 2012.

March 10, 2011 at 2:22 p.m. Bill Tough moved that the meeting be adjourned, seconded by Len Youzwyshyn. **Motion Carried Unanimously.**