

RIVERBEND ON THE WILLAMETTE HOA BOARD MEETING

DECEMBER 21, 2016

Location of meeting: Lobby Building 3

Board members present (quorum established): Augie Gallego, Charles Collins, and Bill Eklund

CAP staff present: David Hummel and Ed Hamilton

HOA attorney: Jason Grosz

HOA homeowners present: Gil Castro, Bob Minshall, Jim and Penny Worthum, Mike and Alma Jackson, Gary Grandmaison, Mitch Boyce, Don Wilson, Henri Smit, Charles and Candice Collins, Elizabeth Eklund, Sarah McCarty, Leonard Springer.

Meeting was called to order by HOA Board president Augie Gallego at 10:02 AM

Augie introduced Sara Eanni, from ABI insurance and representing Middle Oak Insurance co., providing our insurance coverage.

Features of our current policy include:

- Total coverage is \$28,400,000 with a \$5,000 property deductible and with 10% earthquake deductible
- We are fully insured against earthquake damage (Maximum \$28 million with 10% deductible per building).
- Augie asked whether the deductible would be covered by the reserve funds or through a special assessment. Sara stated that earthquake loss on our individual homeowner insurance policies would cover the assessment, if there were one.
- Jason reminded us that we are not covered for appliance damage resulting from power surges.
- There is no coverage for landslide (earth movement).
- August premium was \$600 less than last year. Half of this was due to decrease in the earthquake insurance. A possible option for reducing our premium would be to increase our deductible.
- Jason discussed various aspects of our coverage and our deductibles.
- Sara reminded us that our flood insurance is a separate insurance policy. Each building has \$1.7 to \$2.2 million flood insurance coverage. We are currently covered to \$250,000 per unit and this not an optional policy.

- Current liability coverage is for \$1 million plus a \$5 million umbrella that covers directors and officers. The umbrella policy kicks in after the first \$1 million has been spent.
- Augie reported that we currently have Directors and Officers (D&O) insurance coverage of \$6 million.
- Sara reminded us that an insurance carrier could decline to renew (D&O) policy after D&O claim(s). It is important to avoid D&O claims.
- Mutual Insurance provides our D&O coverage. Liberty Mutual has declined to defend us in our current litigation. Middle Oak Insurance has hired Leta Gorman to defend the HOA in the Cohen Trust litigation suit.
- Jason explained that, in the case of three defendants, “A jury would apportion fault”.
- What becomes the HOA’s responsibility depends on what percentage of the fault is the HOA’s.
- The insurance company can decline or be freed from the judgment that is not their covered fault.
- Jason also noted that, although a fixed judgment could fall on the HOA, a more likely outcome is that at a certain point the insurance company will settle, to limit the costs. The Cohen matter will probably be resolved short of a trial.

Bill Eklund asked about the position of Middle Oak Insurance Co., our current liability coverage company, regarding coverage of our legal expenses prior to their assuming responsibility for legal expenses in defending against the Cohen suit. Jason stated that he is working to get those costs covered, but there has been no decision to date.

Gary Grandmaison asked about status and implications of the increasing mold accumulation in the Cohen unit. Jason reminded us that our consultant’s belief there is no significant risk to Gary’s unit due to the absence of any communicating air circulation and the construction materials that are not susceptible to mold intrusion. We are waiting for final results of mold tests that were completed last Friday in the Cohen and Grandmaison units.

Augie moved to increase our umbrella insurance coverage from \$5 million to \$10 million. The cost would be about an additional \$300 per year. Jason advised that this was an appropriate investment for the HOA. Bill and Charles agreed. The umbrella policy will be increased to \$10 million.

Sara noted that our current flood insurance premium is \$9300 per year, reduced from \$15,000 per year.

Augie discussed the “Facts of Interest” document, circulated at the last meeting that was deferred due to a lack of time for full discussion.

There was discussion about the CAP's employment of Steve and ML and their respective salaries and benefits.

Bob Minshall introduced himself. Believes we are "missing the big picture". Procedural problems probably led to overspending on projects. Need financial controls and need to work with management. Need to conform to Oregon laws. Interested in moving forward. . (Augie asserted that all expenditures including change orders were legitimate expenses. Gallego directly asked Ed Hamilton if CAP and contractors overcharged the HOA; Ed stated no.)

Augie distributed a list of expenditures. "all of which were approved by the Board based on owner requests." Augie stated he supported what Bob Minshall was saying and said. "I am willing to work with any advisory committee."

Bob Minshall announced that there was a meeting set up in Jason Grosz's office for January 7, 2017. Jason noted the purpose of the meeting was to recall Augie Gallego and Bill Eklund and stated that the worst possible outcome was to fight with one another.

Jason Grosz excused himself at 11:37am, but did not immediately leave.

Augie discussed the importance of converting the current Schwindt & Co. review to a full audit, particularly in light of the numerous allegations of the Budget Finance Review Committee of fiscal irregularities revealed in their study of our budgeting and financial practices. Jason Grosz stressed that, "The mere allegation of misconduct, makes it worthwhile to get the audit." The added cost is estimated to be about \$2000 to \$3000. Bill moved to proceed with a full audit. Augie seconded the motion. Charles agreed reluctantly citing no need for more than an audit.

David Hummel addressed the new janitorial and maintenance proposal developed by CAP in response to concerns about the high costs and accountability for the services provided by Steve and ML. David reminded the Board that Riverbend HOA had been receiving and had come to expect a "Concierge" level of service. Steve and ML have been available to the HOA on site, for more hours per week than they will under the new "trimmed down service". He indicated that there would be no decrease in the number and extent of their assigned responsibilities. He indicated that the cost savings to the HOA would accrue through tighter controls and accountability for the hours worked or attributed to performing their duties.

With no further business, Augie adjourned the meeting. Minutes prepared and submitted by,

Bill Eklund, Secretary
Riverbend on the Willamette HOA