

Sonoran Sea Homeowner's Meeting – January 12, 2008

Vern Schroeder called the meeting to order at 9:30am by introducing each board member. Board members Bill Udall and Fritz Behrhorst were not able to attend the meeting. Carlos Rojas, the HOA administrator, Rodrigo Luna, the Maintenance Supervisor, Arturo Lepe, the Security Director, and Lupita Garcia, Cleaning Supervisor, were all introduced and commended for the jobs they and their teams have been doing.

Rod Herbert presented the financial report. Rod cautioned that the financial results are preliminary, as KPMG has not yet audited the books. That is expected in the next 60 days, he said. As of December 31, 2007, owner delinquencies totaled \$19,441. One condo dues are more than 12 months past due. Overall, though, the vast majority of owners are up to date, with only four of 208 condos in delinquent standing. For the year, the resort had an operating deficit of about \$33,000 for 2007. As a result, there is now \$90,000 now in the emergency fund (rather than the target level of \$120,000). Rental income (impact fees collected by the Rocky Point Reservations from renters) for the Sea totaled approximately \$100,000 in 2007.

Vern added that the HOA has dipped into the emergency fund to begin upgrading the pool filtration system. (After more than a year of study and working with both outside experts as well as the developer, it has been determined that the filtration system operates at only about one third of US-standard filtration levels. Despite adhering to cleaning and treatment procedures recommended by the developer, the pools still become discolored and unusable at times during high season.

The maintenance report was delivered by Craig Reay. He reminded owners that many board members will be stepping down after their term is up after 2008. As a result, the goal for 2008 is to get the Sea up to five-star resort levels. As discussed, the pool filtration system is not up to US standards, and the only way to bring it up to standard is to dig in and upgrade the system. This is an extensive project that is scheduled to begin Jan. 21, 2008. In addition to the filtration upgrade, other planned work on the pool area includes: stripping the waterfall and repainting with a solution that is guaranteed for five years. Tiles that are popping off from the pool also will be resealed. Once these projects are completed, the board anticipates that the pool will require only minor maintenance for the foreseeable future.

The total cost of the pool project is about \$60,000. About \$36,000 of that already has been expensed.

As discussed at the last HOA general meeting, the board plans to offer a program to replace water valves inside condos. The Sonoran Spa has already initiated a similar program, as some valves have gone bad and caused damage to owners' condos – as well as to condos and common area located below. (Owners are responsible for damage caused to other units.) The board recommends that all owners replace the water valves inside their condos, whether they take advantage of the HOA's offer or replace the valves on their own. A letter to all homeowners will be going out shortly. Costs to owners of the HOA's replacement program are \$200 for a one-bedroom condo, \$225 for a two-bedroom unit and \$250 for three-bedroom and premium condos.

Mike Feibus reported that, as owners requested at the last meeting, the wireless Internet has been installed as is now available for use. Three WiFi antennas are installed on the roof of the aqua bar. All condos tested throughout the complex are able to connect to the Internet via the WiFi on the balcony – and some units maintained connections inside the condo.

Vern discussed the second major issue: whether to build a restaurant. He reiterated that the goal is to bring the Sonoran Sea Resort up to a five-star level. The pool decking and seating upgrades have helped tremendously to improve the appearance of the resort. Now we need a restaurant, he said.

Mary Snyder, a Sea condo owner, is the former sales and marketing director for the Sonoran Resorts and a member of a developers group chartered to cultivate new markets to bring more visitors to Rocky Point. The developer group is paying about \$60,000 a month to guarantee an Aeromexico flight between Rocky Point and LA. The goal of the flight is to introduce Rocky Point as a weekend destination to the LA market. The group has brought travel agents and travel writers down to tour Rocky Point. Agents who have visited said that the lack of a restaurant at the Sea is a major shortcoming, and makes it difficult to attract weekend traffic.

Vern introduced Miguel Guevara. Miguel is a Sea condo owner, and former project manager for the Sea and Spa. The proposal, Vern said, includes building a restaurant, a storage area for the HOA along the wall near the Snack Shack, installing an activity center in what is currently the RPR offices and moving the offices adjacent to the gym on the second floor, and removing the fountain between the buildings and turning the area into a sitting area.

Miguel reported that rentals were down 18 percent in 2007 – a significant drop. He said that the condo rental market is growing no more than 7 percent per year, while the inventory of condo units in Rocky Point have been increasing 100 percent a year. The Sonoran Sea was the most attractive project on the beach when it first opened, but it is no longer. Las Palomas operates like a hotel, and has restaurants & bars.

The proposed restaurant construction would be to extend the beach-facing windowed walls all the way to the arches that support the second-floor patio. The bar would be located on the right-hand side of the lobby. (A kitchen could be built as a new building on the other side of the west wall; it would mean taking out one row of grills.) In the meantime, steamed warming stations could be used to supplement the full kitchen inside the Snack Shack.

The proposal is that the HOA builds & owns the restaurant, and rents it out to an operator. The local first choice now is Edgar Padilla, who owns the Snack Shack as well as the Aqua Bar. (Edgar also owns El Catorce restaurant and the pool bar at Sonoran Sun, as well as the new Ocean View restaurant at Sonoran Sky.) The advantage of renting is that owners would retain control over issues, such as requiring restaurant service 21 meals per week, 52 weeks per year. Owners could also vote to change restaurateurs if we were unhappy.

Edgar then addressed owners. He reviewed the year-long history of exploring how and where to add a restaurant to the Sea. His concept is to serve Italian food, as well as a few other things. Some owners asked questions about the hours of operation for the Snack Shack and Aqua Bar. Someone asked whether the restaurant would be open to the public, and Edgar answered that it would. He was asked whether that might be a security concern, and he replied that it hasn't been an issue at his restaurant at the Sun. He said that it can be a positive – many times, renters who visit the restaurant decide to stay at the Sun on their next visit.

Some concerns were raised about noise, smoke and other issues that might make it more difficult to enjoy our condos. The board reiterated that the restaurant renter would be responsible for care and maintenance of the restaurant. Another homeowner asked a question about lease improvements. Vern replied that Edgar would have no guarantees because we can vote him out with a majority vote if we were unhappy. As a result, we've left the lease open-ended. He added that Edgar would be spending about \$50,000 in equipment to get the restaurant up and running. Some homeowners voiced concerns about moving so hastily. One owner read comments from renters online, saying that the pool bar area was too loud now. Others reacted differently. Vern as well as Mary acknowledged that homeowners could definitely opt to wait – but with crews available now, restaurant construction would cost much more if we waited.

The board recommended a \$1,500 assessment to cover all of the projects: restaurant construction, pool filtration system, storage room, fountain removal and walk-through enhancement, as well as the activity center. In addition, due to rising costs, the board recommended an increase of HOA dues by \$50 a month for a one-bedroom, \$55 for two-bedroom and \$60 for a three-bedroom condo.

A motion was made to accept the dues increase, and seconded. It was passed by a majority vote of owners present and represented by proxy.

A motion was made and seconded to accept the assessment of \$1,500 to include restaurant, storage, activity center, fountain area and replenish emergency fund. This motion also passed by a majority vote.

After the vote, Rod made available a comparison of HOA dues that showed the Sea among the lower third of the projects on the beach. Rod also offered copies for anyone interested to ask him. (For those not present, Rod's email address can be found on the Contact page of the Sea HOA website: www.searesorthoa.com.)

Vern also reiterated that many board members will be stepping down after 2008, and put a call out for homeowners interested in becoming active on the HOA.

In other activity, Mike Feibus was re-elected as the West building's alternate representative.

Rolando Rojas presented the financials from the storage units.

A brief report on the phone system indicated that the new owners of the phone company will be returning the phone system to the pre-acquisition long-distance rates.

The meeting was adjourned at 11:30am.