

***Minutes of the April 28, 2012 Pilot Point Council of Owners  
Lewes Yacht Club***

President Ed Kingman called the meeting to order at 9:30 AM.

Present: Vince D'Anna, Ed Kingman, Ronald Lee, Roger Campbell, Richard Ward and Angie

**Review and approval of April 1, 2012 Minutes:**

**Review of annual meeting administrative matters:**

**Status of vote on DUCOIA and process for annual meeting discussion:**

**Discussion of year end accounting treatment of budget by Tom Sombar, roger Campbell and Ed Kingman:**

**Old Business:**

**New Business:**

**Meeting was adjourned at 10 AM**

Respectfully submitted,

Ronald P Lee  
Secretary  
Pilot Point Council of Owners  
Saturday, April 28, 2012

# **Pilot Point Council of Owners**

Pre-Annual Meeting April 28, 2012

9:30 AM

Lewes Yacht Club

## **Agenda**

1. Approval of 4/1/2012 minutes
2. Review of annual meeting administrative matters
3. Status of vote on DUCOIA and process for annual meeting discussion
4. Discussion of year end accounting treatment of budget under run. –Tom Sanbar, Roger Campbell, EdKingman
5. Old business
6. New business

***Minutes of the April 1, 2012 Pilot Point Council of Owners  
Pilot Point unit 19***

President Ed Kingman called the meeting to order at 9 AM.

Present: Vince D'Anna, Ed Kingman, Ronald Lee, Roger Campbell by phone, Richard Ward  
Angie

**Review and approval of December 3, 2011 Minutes:**

The minutes were approved as posted on the website after a brief discussion about the Burke parking situation. Moved to accept by Campbell, second by D'Anna.

**Process for solving unit change issues:**

Presentation of the four documents will be sent to the unit owners.

Cover Letter, FAQ, Andy's write up and Ballot. See attached..

Ed Kingman described the process and gave an estimate of the costs to complete the transition.

**Review of the proposed 2012 Budget Amendments and presentation of the 2013 Budget.**

Roger Campbell presented the revised 2012 Budget and the proposed 2013 Budget.

The monies that were not spent in 2012 (\$87,603) would be carried over into 2013 and the designated projects for these monies would be completed.

A motion was made by Roger Campbell and second by Vince D'Anna to accept the budgets as amended for 2012 and as presented and modified for 2013.

**Notice of annual meeting and proxy:**

See attached

**Election of Council Members:**

Ed Kingman and Ronald Lee agreed to run for Council.

**Legal Review, Zoning and Building Inspector:**

Vince D'Anna gave a summary of all of the current issues.

**Meeting was adjourned at 1 PM**

Respectfully submitted,

Ronald P Lee  
Secretary  
Pilot Point Council of Owners  
Sunday, April 1, 2012

# Pilot Point Council of Owners

C/O L&N 7904 Costal Highway, Suite #2

Ocean City, MD 21842

Dear Fellow Owners,

RE: Process to resolve mortgage, title and insurance issues related to unit changes

At last year's annual meeting, attorney Andy Taylor explained in great detail the legal problems we have as a result of approved and unapproved unit changes. He also explained a path to resolve the problems. In his attached memo he lays out what was discussed at the annual meeting. It is summarized as follows:

**Step 1.** There will be a vote by the ownership to authorize the Council to have drafted the appropriate legal documents to move the association from The Unit Property Act to the Delaware Uniform Common Interest Ownership Act "DUCIOA". An affirmative vote by 67% is not required at this step but reasonable because the following actions require a 67% affirmative vote. **The step 1 vote is the vote contained in this packet.**

**Step 2.** After each owner reviews the updated DUCIOA documents the ownership will vote to move the condominium to DUCIOA and adopt an amended Declaration. An affirmative of 67% of the ownership is required for passage. The legal documents will be recorded.

**Step 3.** Existing encroachments will be documented and voted on for approval. A 67% approval is required. The documented encroachments will be recorded by the Council. New standards will be developed for future unit changes. That vote can be at the same time for existing encroachments. The documented changes will be recorded.

After you have read Andy's write up and the attached frequently asked questions, "FAQ", please vote the attached ballot for the council to move forward. Please note that at the annual meeting of the 29 units physically represented, 27 voted affirmatively, one abstained and one voted in the negative. The Council did not vote proxies because it was believed the vote should be directly from the ownership. If you voted at the annual meeting you do not have to vote again unless you would like to change your vote. The Council is recommending an affirmative vote.

Sincerely Yours

## Legal Process to Correct Legal Issues With Unit Changes (Encroachments)

### Frequently Asked Questions (FAQS)

#### Q.1. Why did it take so long to get to this point?

A.1. When the magnitude of our problem was identified the Council communicated to the ownership that it would take legal work to see if there was a reasonable way within our condominium documents to rectify the legal problem. The legal review found that our existing declaration did not contain an explicit mechanism to amend the Declaration. We then sought a legislative solution and Senate bill 316 was passed and signed. That provided a process to amend an existing Declaration if an existing Declaration did not have an amendment mechanism.

#### Q.2. How many units have changes and/or encroachments that are not recorded in the Pilot Point Declaration?

A.2. A review of all units found that every unit in Pilot Point has a least one non-recorded change and/or encroachment. They range from minor changes to significant changes.

#### Q.3. Has there been any impact from the non-recorded changes and/or encroachments?

A.3. Yes, sales have been impacted significantly. Realtors have reported that potential buyers have stated that they passed on a unit because the new buyer could not make changes that other neighbors had made. This has resulted in lower offering prices. They also expressed concerns regarding access to financing and title insurance. The council is aware that the encroachment issues have had a negative impact regarding refinancing. In addition to the macro issues with lenders, when Pilot Point's specific issues are disclosed overcautious lenders have declined financing. We continue to have insurance coverage with the same company that has covered us for over 20 years. The Pilot Point coverage only covers the original building structure recorded in the existing Declaration.

Q.4. When the changes and/or encroachments are approved and recorded will the association insurance cover the changes?

A.4. No, unit changes will continue to be the financial and maintenance responsibility of the unit owner.

Q.5. I don't plan on selling so why should I care?

A.5. Negative financial pressures can put communities in a downward tailspin. Look no further than the neighborhood impact of foreclosures. Additionally, we need to have a process to authorize approved changes for all to be able to fully enjoy their respective unit. Furthermore the community needs a mechanism to address changes in law, zoning, technology, materials and building codes.

Q.6. Why can't we just have one vote to approve the whole thing?

A.6. The process is designed to ensure we have the required consensus and documentation at each step.

Q.7.. What is the process to address these legal issues?

A.7. 1. There will be a vote by the ownership to authorize the Council to have drafted the appropriate legal documents to move the association from The Unit Property Act to the Delaware Uniform Common Interest Ownership Act "DUCIOA". An affirmative vote by 67% is not required at this step but reasonable because the following actions require a 67% affirmative vote. **The step 1 vote is the vote contained in this packet.**

2. After each owner reviews the updated DUCIOA documents the ownership will vote to move the condominium to DUCIOA and adopt an amended Declaration. An affirmative of 67% of the ownership is required for passage. The legal documents will be recorded.

3. Existing encroachments will be documented and voted on for approval. A 67% approval is required. The documented encroachments will be recorded by the Council. New standards will be developed for future unit changes. That vote can be at the same time for existing encroachments. The documented changes will be recorded.

Q.8.What is the cost for making these changes and how are we going to pay for it?

A.8. At this time we have no cost estimates. Regarding the Declaration itself we believe we need amendments not a complete new document. Also we do not know what it will cost for the required site lines that would be drawn by a registered engineer. Unless the number is extremely high we think we can work within our current and planned budget.

Q.9.I have made few changes or the prior owner made only a few changes to my unit why should I share the cost of this?

A.9. First, if you have made any changes you have a problem. Second, as stated above if the community as a whole has a problem you have a problem. Three, this will give you a mechanism to make property enhancing changes that your neighbor has already made.

Q.10.When all this is all approved do I have to hire a lawyer to record the changes to my unit?

A.10.The plan currently is that once all of the changes and/or encroachments are identified the council will file them after membership approval.

Q.11. If the Council had enough votes through proxies and those in attendance to pass step one at last year's annual meeting why didn't they pass step one then?

A.11. The Council felt and generally those in attendance felt that this matter is of such significance that an owner's direct vote was appropriate unless specifically addressed in a proxy.

Q.12. Chancellor Chandler ruled that the Council could not approve unit changes based on the principle of acquiescence. Why did the council think they could use acquiescence to approve changes?

A.12.The Council on behalf of the ownership used acquiescence to approve changes for over 30 years. The principle originated from a ruling by Judge Brown in *Pilot Point v. RGI*. In his ruling he combined Pilot Point Phase 1(units 1-32) with Pilot Point Phase 2 (units 33-60) and set forth the percentage of common ownership. He ruled that his decision was based on the acquiescence of the ownership.



**Ballot for vote on Pilot Point amending its Declaration to be governed by all of the Delaware Uniform Common Interest Ownership Act.**

1. According to Title 25 Delaware Code Section 318, (as amended by SB 316) a declaration under the Unit Property Act, for residential property, which does not explicitly include a mechanism to amend the document, may be amended by a vote requiring the affirmative vote of 2/3 of the property owners.
2. The Declaration of Pilot Point does not explicitly include a mechanism to amend the document; therefore, it may be amended by the affirmative vote of 2/3 of the property owners.
3. The Unit Owners of Pilot Point have been engaged in various matters of litigation particularly concerning expansion of many units into the common elements. Uncertainty over the "title lines" of units has greatly impeded the sale and mortgage financing of units and made it difficult to obtain title insurance.
4. The Delaware Uniform Common Interest Ownership Act (DUCIOA) is the modern law to govern condominiums and solves problems not anticipated when the prior law known as the Unit Property Act was adopted in the mid 1960s.
5. DUCIOA section 81-121(a) provides "The declaration, bylaws, or plats and plans of any common interest community created before the effective date of this chapter, may be amended to achieve any result permitted by this chapter, regardless of what applicable law provided before this chapter was adopted." Section 217(a) provides the declaration, including any plats and plans, may be amended only by vote or agreement of unit owners of units to which at least 67 percent of the votes in the association are allocated.
6. The Unit Owners of Pilot Point would like to benefit from the modern provisions of DUCIOA while retaining the Condominium form of ownership by amending the governing documents to achieve the result of being a condominium controlled by DUCIOA rather than the Unit Property Act.
7. It is understood that if this vote is approved by the required number of Unit Owners, the amended Declaration and documents under DUCIOA will still need to be approved by another vote of the Unit Owners. To comply with both sections 318 and 81-217, the vote needs to be "yes" by at least 2/3 of the unit owners representing at least 67 percent of the votes in the association.

**Therefore, the undersigned Owner of the indicated Unit in Pilot Point votes on the following question:**

**Do you want to continue as a condominium community, but be governed entirely by the Delaware Uniform Common Interest Ownership Act rather than the Unit Property Act?**

Please sign here and circle your vote below: \_\_\_\_\_  
Signature

Yes            No            Abstain

\_\_\_\_\_  
Please print name

\_\_\_\_\_  
Unit number

\_\_\_\_\_  
Date

**INSURANCE INFORMATION FOR OWNERS OF  
Pilot Point Condominium (2012)**

***Condominium Insurance Coverage***

Pilot Point carries a number of insurance policies as required by the Condominium's basic documents. Included among these policies are the Property, General Liability, Directors and Officers Liability, Employee Dishonesty/Crime, Equipment Breakdown and Flood Insurance.

The Property section of the Master Policy covers all real property belonging to the Association (buildings including common elements and units, fences, etc.). Coverage is written on a Replacement Cost Basis, which means that the policy will replace with like kind and quality and without depreciation all covered losses up to the blanket limit of the policy. All covered property losses are subject to a \$10,000 deductible except Wind/Hail losses which are subject to 1% of the Building limit deductible. The Property section also covers the interior of each unit as they were *originally* deeded by the developer, but not including improvements and betterments made by any owner. In other words, whatever was originally conveyed to a unit – floor coverings, cabinets, counters, appliances, and fixtures – is covered by the Master Policy. Whatever owners (previous, current or subsequent) add or alter are the owners' responsibility to insure. *The Master Policy will not cover additions, alterations, betterments or improvements.*

The Property section of the Master Policy is written on an "all risk of direct physical loss", only exclusions are listed. Common exclusions are wear and tear, water seepage, and maintenance issues. For a complete list of exclusions, please refer to the Master Policy.

The General Liability Policy provides liability coverage for bodily injury and/or property damage when the Association is negligent. Coverage extends to all areas of the Association except to the interior of the individual units. Unit owners should secure their own coverage to protect themselves from liability claims within their own units. The property manager is an additional insured under this policy form.

Crime/Employee Dishonesty coverage protects the Association's funds from theft by the Board, any employees or volunteers that the Association may hire, and the property management firm.

Directors and Officers coverage protects the Board of Directors from covered claims involving "Wrongful Acts" (liability protection for individuals on the board who are sued in their capacity as board members). The policy also includes the property manager as an additional insured.

### ***Owners or Renters Insurance Coverage***

Individual residents (whether owners or renters) should have their own unit owner or tenant policy to coordinate with the Master Policy and to protect their own property and liability. The amount of insurance on a resident's personal property should be adequate to replace the contents of the unit. Thus, the policy should be written on a full-replacement basis so that in the event of a loss, the item(s) would be replaced at current values rather than the original cost less depreciation.

We strongly suggest taking inventory of what you have in your unit and going through the painstaking process of itemizing everything room by room. Determine the cost to replace your belongings and provide your insurance agent with the total value. In subsequent years an inflation guard is built into the policy.

Personal liability limits start at \$300,000, but may be increased. Liability protection covers injuries or property damage sustained inside the unit by people other than the unit owner.

Important features of the standard unit owner policy are the provisions for (1) Additions and Alterations; (2) Loss Assessment; and (3) Additional Living Expense. Additions and Alterations and Loss Assessment are included in the basic policy at a limit of \$1,000. This limit can be increased for a small additional premium. The limit for Additional Living Expense is 20 percent of the limit for personal property. Thus, if personal property is insured for a limit of \$30,000, the Additional Living Expense limit would be \$6,000. The Additions and Alterations (also called Betterments and Improvements) provision covers the value of any improvements a unit owner makes within the unit. These improvements could include such items as wallpaper, built-ins, and upgraded appliances and/or carpeting/flooring.

Loss Assessment coverage is for instances when the condominium association suffers a large property loss or liability judgment and the association's policies do not entirely cover the loss. In such a situation, owners may be assessed a percentage of the repair bill. Loss Assessment coverage would pay the individual owner's assessment up to the limit of the policy.

Additional Living Expense coverage reimburses the unit owner for expenses incurred while living outside of a damaged unit during repair. Hotel costs, meals, and other forms of additional expenses are covered by this policy feature. ***The Master Policy WILL NOT pay for a displaced owner/renter to live elsewhere during a unit's repair.*** It also is possible for a unit owner to make recovery for losses not covered by the Master Policy under the HO-6/unit owner policy. The unit owner can secure, under the HO-6, coverage for claims that impact the building as well as personal property.

Thus, losses not covered by the Master contract can be recovered under the unit owner building form. An HO-6 policy generally includes a \$250 deductible.

All owners should understand that if they are displaced for any period of time in the event of a loss (catastrophic or otherwise), that you are required to continue to pay your mortgage AND your condominium fee. Master Policy and/or homeowners insurance will not make these payments for you.

### ***Proof of Insurance Coverage***

If your mortgage company notifies you that they need proof of insurance, please fax a copy of the letter to 302-674-2909 attention Libby Hahn, or you may also request a certificate by email at lhahn@lwinsurance.com.

Should you have any questions about the Association's coverage, or about your own coverage in relation to the Association's policies, you may call Andrew Cousins at the L & W Insurance Agency at (800) 770-0304, ext. 247.

# Property

Insurance Company: Harford Mutual Insurance Co  
 Proposed Policy Period: 06/01/11 to 06/01/12

## Coverage Detail

Subject			Amount	Val	Co-Ins %	Cause of Loss	Ded
Loc #: 1	Bldg #: 1	Smoke Detectors are located in each on each floor.					
BUILDINGS BLANKET FORM WIND/HAIL 1% Deductible Per Bldg			\$17,212,500	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 2						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 3						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 4						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 5						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 6						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 7						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 8						
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 9						

Subject			Amount	Val	Co-Ins %	Cause of Loss	Ded
Building			Blanket	R/C	90	Special	\$10,000
Loc #: 1	Bldg #: 10						
Building			Blanket	R/C	90	Special	\$10,000

**Property Not Covered:** Accounts, Bills, Currency, Animals, Automobiles Held for Sale, Bridges, roadways, walks, Patios, Foundations of Buildings, Land, Personal Property while airborne or waterborne, Bulkheads, pilings, wharves or docks, Retaining walls not part of a building, underground pipes, flues or drains

**Exclusions:** Ordinance or Law, Earth movement, Nuclear Hazard, Off Premises Utility Service, Flood, Service Water, tides, tidal waves or overflow of any body of water, Fungus, Wet Rot, Dry Rot, Bacteria, Wear, Tear, Mechanical Breakdown, Dishonest or Criminal Act, Pollution

# General Liability

---

Insurance Company: Harford Mutual Insurance Co  
Proposed policy period: 06/01/11 to 06/01/12

## Coverage Detail

---

Limits of Liability	Description
\$1,000,000	Per Occurrence
\$2,000,000	Annual Aggregate, Other Than Products
\$2,000,000	Annual Aggregate, Products & Completed Operations
\$1,000,000	Personal And Advertising Injury Aggregate
\$100,000	Fire Damage Liability
\$5,000	Medical Expense Each Claim

## Schedule of Hazards

---

Loc#	Prem Code	Class Code	Classification	Premium Basis
1	T	62003	Condominiums	60
1	T	40072	Beaches	1
		73145	Directors & Officers	60

## Optional Coverages Provided

---

Includes Directors and Officers Liability

# Crime / Fidelity

---

Insurance Company: Travelers  
 Proposed policy period: 06/01/11 to 06/01/12

## Coverage Detail

---

Subject	Amount		Deductible
Fidelity Bond / Employee Dishonesty	\$200,000		\$ 500
Forgery or Alteration	No Coverage		None
Theft, Disappearance & Destruction			
Inside the Premises	No Coverage		None
Outside the Premises	No Coverage		None
Robbery & Safe Burglary			
Inside Robbery of Custodians	No Coverage		None
Inside Safe Burglary	No Coverage		None
Outside the Premises	No Coverage		None
Premises Burglary	No Coverage		None
Computer Fraud	No Coverage		None
Extortion	Insured's Loss Participation: N/A	No Coverage	None
Premises Theft & Robbery Outside			
Theft	No Coverage		None
Robbery Outside	No Coverage		None
Robbery / Safe Burglary – Money / Securities			
Inside the Premises	No Coverage		None
Outside the Premises	No Coverage		None
ERISA Plan	No Coverage		None

## Coverage Amendments

---

- None



# Premium Summary / Comparison

---

## Premiums

---

Line of Business	Current Premium
Package	\$48,198
Property	Incl
General Liability	Incl
Crime	829.00
Workers Compensation-Not Provided	
Umbrella-Not Provided	
Flood Insurance	\$17,845
<b>Total Premium:</b>	<b>\$66,872</b>

Unit #	Flood Building Limit
1-5	1,250,000
6-11	1,500,000
12-18	1,750,000
19-25	1,750,000
26-32	1,750,000
33-39	1,750,000
40-46	1,750,000
47-53	1,750,000
54-60	1,750,000
61	250,000