

Pines Condominiums Phase II

C/o Henning Schwarzkopf PO Box 160099 Big Sky, MT 59716

Annual Membership Meeting
September 3, 2009

MINUTES

I: Call to order:

The meeting was called to order by President Walter Kobin at 9:00 am. In attendance were Walter and Peg Kobin (I2), Mike and Dianne Atwell (K1), Doug and Sarah Crowther (J1), Joe Rude (J4), Skip Radick, Mike Schwarzkopf, Scott Hammond, Steve DiTullio and Alison Gregory. A quorum was established with 80% of the membership represented via presence or proxy.

II: Approval of the minutes of the 2008 Annual Meeting:

The minutes of the 2008 meeting were reviewed. Doug Crowther made a motion to approve the minutes as recorded, Sarah Crowther seconded the motion. All in favor; Motion passed.

III: Developer Report:

Skip Radick presented the developer's report. Mr. Radick said that he was starting to see positive signs in Big Sky regarding building activity. He is hoping people are at the bottom of the market and good things continue. The only piece of business Mr. Radick discussed was the cleanup of the dump trailer. Construction is finishing up in the next two weeks and then all debris and dump trailer will be cleaned up and removed from the area of the complex. Walter Kobin expressed his appreciation for Mr. Radick's work.

IV: Financial Review: (See Exhibit A)

Mike Schwarzkopf reviewed the financial information. Mr. Schwarzkopf explained that Pines had a yearend ending 9/30/09. He was pleased to report that the complex is doing quite well. Unlike most associations, Pines does not have to worry about sales of condos. There are ten units with ten owners. Total operating budget is in good condition. With only about one month until year end, the complex will most likely have a surplus at the end of their year. The Association has roughly \$9,800 to last the rest of the year.

Mr. Schwarzkopf continued to the second page of financials. He explained this represented the complex's financial health. The fund balance sheet explains where money is put aside for the makeup of the Association. The only deficit the complex is

seeing is roughly \$4,000 caused by two fire suppression inspections that were done this year. Normally, only one is done every year. Mr. Schwarzkopf explained that other than that deficit, everything else looked very positive. All dues have been paid and there have been no foreclosures or delinquencies. The complex has \$17,799 in equity on the income statement, which is great.

Joe Rudd asked if the complex was reserving an adequate amount for reserves. Mr. Schwarzkopf actually commented that the Association was not saving enough. For example, roofing is expensive and the amount put aside each year in reserves may not be enough. He encouraged the ten owners to start saving more in reserves for building maintenance projects. Scott Hammond and Mr. Kobin agreed to visit more on the subject of how much to start putting aside for reserves for the Association.

Mr. Kobin asked if a contract was resolved with Hidden Village for garbage. Mr. Hammond stated that Hidden Village renewed the same plan as what they did last year. Therefore, a "handshake" deal was decided upon with paying a quarterly bill of \$875 for garbage.

For the next several minutes, discussions arose around the table with Mr. Kobin, Mr. Radick, Mr. Hammond, Mr. Schwarzkopf, and attendees regarding reserve funds and building maintenance projects. Before accepting the final proposed budget, everyone had questions on how much to put aside for reserves and where to put those reserves. Several projects will need to be initiated in the upcoming years. They are painting/staining, roofing, and asphalt repair. To paint the whole complex, it would cost roughly \$21,000. Mr. Hammond said spot painting would be the best way to go at this point since the buildings were not that old and cost would be much less. In two to three years, the Association can revisit doing the entire complex. Mr. Hammond went on to discuss price for roofing and resealing the asphalt. Roofing would cost roughly \$12,000 to \$14,000 to re-roof. Painting should definitely come before roofing. Roofs still have a twenty year life before repairs need to be done.

Asphalt reseal would run roughly \$10,000-\$12,000 and is four to five years out. Mr. Hammond explained that resealing would be the best option. It helps maintain the life of the road and keeps water out of cracks. It is better to reseal than replace. Mr. Radick also commented that resealing was better than replacing the whole road.

Mr. Schwarzkopf explained the breakdown of costs each year for these projects and how to determine how much to keep aside for reserves. Basically, it would be \$4,000 a year for painting, \$2,000 a year for roofs, \$2,000 a year for reseal of asphalt. That is a total of \$8,000 a year for reserves. It would come out to be \$400 a year for each owner, which is roughly \$35 a month for each owner. In the proposed budget, the figure is \$975 right now for reserves. Currently, the budget is \$900. Therefore, Mr. and Mrs. Kobin both stated about raising it to \$1,000. That would only be \$100 more per owner per quarter. Then saving for these projects would be a doable process. Mr. Kobin made the motion to raise the dues to \$1,000 per quarter per owner. Mr. Rude seconded the motion. All in favor; motion passed.

The next budget item discussed was landscaping. Questions arose if the Association wanted more than \$1,000 to be put aside for landscaping. Mr. Radick commented that he thinks it is best to keep wildflowers growing and the complex looking as natural as possible. Mr. and Mrs. Crowther asked if it was the owner's responsibility to take care of the beds around the common areas. Shouldn't the Association take care of that? Mr. Radick commented that if the Association did take care of that, it would only need a line item increase up to \$2,000 to take care of beds and noxious weeds. Mr. Hammond commented that the Association could do a lot with \$2,000 for landscaping. Adding another \$1,000 to landscaping could really help with weeds, tree replacement, bush replacement, flowers, etc.

Therefore, a conclusion was made to raise the proposed budget from \$39,000 to \$40,000. This breaks out to be roughly \$1,000 a unit per quarter (as explained above). Mr. Rude made a motion for dues to be raised a total of \$4,000 a year per owner. Mr. Crowther seconded the motion. All in favor, motion passed.

Mr. Radick did comment that he would work on bringing in some trees and sage brush for the complex as a "freebee" as a "contractor gift" from him. Many thanks were said to him from the owners for this gesture. This concluded Mr. Schwarzkopf's financial report.

V: Manager's Report: (See Exhibit B)

Mr. Hammond discussed the manager's report on the complex this year. One of the items discussed that was not on the manager's report was that HPM did have tree and bush replacement done at the complex this year.

Mr. Hammond also discussed the Spruce Bud Worm and Pine Beetle issues that have been happening in and around Big Sky. He educated the owners on what was done this year and what to look for. Spraying to try and kill both of these species is a big deal and is very important to watch over the next few years. It was not done at the complex this year. Mr. Hammond just wanted all to be informed and that he and the HPM team would be watching the area around Pines for this problem.

Mr. Kobin asked about if cleaning the gutters was necessary. Mr. Hammond said that it had never been a problem. However, he suggested looking into it to make sure gutters were okay and nothing needed to be done.

This concluded Mr. Hammond's report. He said to all how much the business is appreciated and really enjoyed working for Pines. Anything he can do for the owners he would be happy to. Mr. Kobin said many thanks Hammond Property Management and explained it is the best property management company he has worked with.

VI: Old Business:

There was no old business to discuss.

VII: New Business:

There was no new business to discuss.

VIII: Board Member Election:

There are three board members. They are: Walter Kobin, Jana Butler, and Steve Harris. Steve Harris has requested to leave the Board. Questions arose if Walter Kobin's and Jana Butler's seats were up for reelection and is anyone interested. Doug Crowther would like to be a nominee for Steve Harris's seat. Mr. Hammond suggested the Association have the Board have staggering terms so that no one is up for reelection at the same time as anyone else. Mr. Rude agreed that was a good idea. Mr. Rude asked if there needed and/or could be a motion to amend the terms of the Board. He would like a motion to be written to reflect a staggering term for the Board.

Mr. Rude asked Alison Gregory to write a motion reflecting staggering terms for the Board and then reflect that motion in the minutes. The motion made for the definition of staggering terms for the BOD is as follows: "The Association shall elect from its membership the officers who shall all serve terms of varying lengths to achieve staggered terms and continuity of membership of the Board of Directors. Each director shall hold office until a successor shall have been elected and qualified. Terms of office shall begin on the 1st day in the next month after the election."

Mr. Rude then made a motion to stagger the officers as the following: "For the 2009 election of the Board of Directors, there will be a 2009 elected officer that will serve 3 years. The President position will have 2 years left to serve. The Vice President position will have 1 year left to serve. Mr. Rude continued his motion to appoint Doug Crowther to be the 2009 elected officer and replace Steve Harris. Therefore, Jana Butler and Walter Kobin will remain in their current positions for the staggering time frame mentioned above." Mr. Kobin seconded the motion. All in favor; motion passed.

IX: Questions/Answer Section:

No questions asked.

X: Adjournment:

Mr. Rude made a motion to adjourn the meeting at 10:25 am. Mr. Crowther seconded the motion. All in favor; motion passed. Meeting adjourned.

Pines Condominium Phase II 2008/2009 Budget to Actual and 2009/2010 Proposed Budget

	10 Units Approved Budget 2008/2009	Actual 8/24/2009	(Over)/ Under	10 Units Proposed Budget 2009/2010
Administrative				
Accounting	1,875	1,822	53	1,975
Insurance	10,350	7,510	2,840	9,000
Miscellaneous	350	0	350	325
Office Expense	150	211	(61)	200
Total	12,725	9,543	3,182	11,500
Maintenance & Services				
Building Maint	500	185	315	500
Chimney Maintenance	500	400	100	500
Fire Suppression Maint	3,000	184	2,816	6,000
Garbage	3,500	2,625	875	3,500
Landscaping	1,000	826	174	1,000
Management	4,800	4,400	400	4,800
Snowplowing	1,800	1,800	0	1,800
Snow Removal - Roofs	3,500	2,105	1,395	3,500
Contingency	675	116	559	1,900
Total	19,275	12,641	6,634	23,500
Total Operating Budget	32,000	22,184	9,816	35,000
Reserves				
Betterments	1,000	0	1,000	1,000
Driveway/Roads	1,000	53,750	(52,750)	1,000
Roofs	1,000	0	1,000	1,000
Siding/Staining	1,000	0	1,000	1,000
Total	4,000	53,750	(49,750)	4,000
Total Budget	36,000	75,934	(39,934)	39,000
Annual dues per unit	\$3,600.00			\$3,900.00
Dues Per Unit Per Quarter	\$900.00			\$975.00

For Management Discussion Only

Pines Condominium Phase II
Statement of Revenues, Expenses and Changes in Fund Balances
For the Period Ending August 24, 2009
For the Year Ending September 30, 2009

	Operating Fund	Betterment Reserve	Driveway Reserve	Siding/Staining Reserve	Roof Reserve	Total
Revenues:						
Assessments	32,025	1,000	1,000	1,000	1,000	36,025
Special Assessment			53,750			53,750
Total Revenues	<u>32,025</u>	<u>1,000</u>	<u>54,750</u>	<u>1,000</u>	<u>1,000</u>	<u>89,775</u>
Expenses						
Administrative:						
Accounting	1,822					1,822
Insurance	7,510					7,510
Office/Postage	211					211
Maintenance:						
Building Maintenance	185					185
Chimney Maintenance	400					400
Fire Sprinkler Maintenance	184					184
Garbage	2,625					2,625
Landscaping	826					826
Management	4,400					4,400
Contingency	116					116
Snow Plow	1,800					1,800
Snow Removal - Roofs	2,105					2,105
Reserves:						
Betterments						0
Driveway/Road						0
Roofs			53,750			53,750
Siding/Staining						0
						0
Total Expenses	<u>22,184</u>	<u>0</u>	<u>53,750</u>	<u>0</u>	<u>0</u>	<u>75,934</u>
Revenues in Excess of Expenses	<u>9,841</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>13,841</u>
Fund Balance September 30, 2008	(4,046)	2,001	2,001	2,001	2,001	3,958
Fund Balance August 24, 2009	<u>5,795</u>	<u>3,001</u>	<u>3,001</u>	<u>3,001</u>	<u>3,001</u>	<u>17,799</u>

For Management Discussion Only

**Pines Condominiums Phase II
Balance Sheet
As of August 24, 2009**

	<u>Aug 24, 09</u>
ASSETS	
Current Assets	
Checking/Savings	
BSWB Operating	17,800.02
Total Checking/Savings	17,800.02
Accounts Receivable	
Accounts Receivable	-0.03
Total Accounts Receivable	-0.03
Total Current Assets	17,799.99
TOTAL ASSETS	17,799.99
LIABILITIES & EQUITY	
Equity	
Retained Assessments	3,958.06
Net Income	13,841.93
Total Equity	17,799.99
TOTAL LIABILITIES & EQUITY	17,799.99



Pines Phase II
Annual Meeting
September 3, 2009 9:00 AM

Manager's Report

Hammond Property Management has enjoyed our year of service at Pines Phase II. The following is a list of projects completed outside of the normal maintenance and tours at the complex:

- Montana Steamworks managed roof shoveling services throughout the winter.
- Worked with the Butler's on mystery leak.
- Made repairs to roof ridge caps.
- Reseeded rough areas.
- Weed whipped complex.
- Repaired concrete slab at J3.
- Repaired sewer vent leak in the attic of K4.
- Worked with the owner to get hose bid repaired at K4.

Thank you,

HPM Team