

Pines Condominiums Phase II

C/o Lindell & Associates, P.C. PO Box 160099 Big Sky, MT 59716

Annual Membership Meeting
September 1, 2011 @ 9 a.m.

MINUTES

I: Call to Order:

The meeting was called to order by President Walter Kobin at 9:10 a.m. In attendance were the following: Karen Braun (I1), Walter and Peg Kobin (I2), Doug Crowther, via conference call, (J1), Jana Butler (J3), Kathy Rude (J4), Bill Elledge (K-3), Rich Lindell (accountant; Lindell & Associates, P.C), Scott Hammond, Beth Hickey and Alison Gregory. A quorum was established with 90% of the membership represented via presence or proxy.

II: Approval of the Minutes of the 2010 Annual Meeting:

The minutes of the 2010 annual meeting were reviewed. Ms. Rude made a motion to approve the minutes as recorded. Ms. Braun seconded the motion. All in favor; Motion passed.

III: Financial Review: (See Exhibit A)

Rich Lindell reviewed the financial information. Pines Phase II's year end is 9/30/11. He was pleased to report that the complex is doing quite well. The total cash balance available is \$62,931. All dues have been paid by all owners. The balance sheet is in great condition.

Mr. Lindell continued discussing the Statement of Revenues. Each of the reserve funds (betterment, driveway, siding/staining, and roof) has \$5,501. Total fund balances as of July 31, 2011 are \$17,996.

Mr. Lindell concluded his report discussing the Budget to Actual and Proposed Budget for 2011/2012. The budget to actual is as of July 31, 2011. For 2010/2011, the total budget was approved at \$40,000. As of 7/31/2011, the Association is over budget by \$32,322. This is largely due to the landscape improvement project. The Association is also over budget with the fire suppression maintenance line item. At the annual fire sprinkler inspections in the fall of 2010, necessary repairs were discovered and executed. Therefore, the Association was over budget by roughly \$1,900. However, the repairs were obviously necessary to ensure the system is operating correctly. All other line items are well within budget, and the Association is performing well.

For the proposed 2012 budget, a few changes were made. The fire suppression maintenance line item was decreased from \$6,000 to \$3,500. Since repairs were just made in 2010, the Association should be able to save money this year by not having to

have repairs made. The landscaping line item was increased by \$500. Ms. Rude asked why this line item was being increased. Mr. Hammond explained that the \$2,000 currently in place for landscaping only covers the noxious weed spraying. Now that the Association has new landscaping and a new irrigation drip system, water usage will need to be accounted for. Mr. Hammond explained the extra \$500 should cover the water usage. The Association will get charged only one quarter of the year for any irrigation used. There are also costs with "firing up" the irrigation system and "shutting it down". By increasing the landscaping line item by \$500, the cost of these additions will be taken care of.

Mr. Lindell explained that each of the reserve funds (betterment, driveway/roads, roofs, and siding/staining) have increased from \$500 to \$1,500. The proposed budget for 2012 does remain the same as 2011. The total budget proposed is \$40,000. The dues are the same and have not increased. The annual dues are \$4,000.

Mr. Kobin made a motion to accept the 2011/2012 proposed budget as presented. Ms. Rude seconded the motion. All in favor; motion passed. The 2011/2012 budget is approved.

Mr. Kobin thanked Mr. Lindell for an excellent transition between him and Mike Schwarzkopf.

Please note the change in accounting firm's name from Henning, Schwarzkopf & Co., PC to Lindell & Associates, PC. Rich Lindell bought the CPA firm from Henning, Schwarzkopf & Co., in the fall 2010 and serves as the Association's accountant. As the new accountant, Mr. Lindell is to be authorized as the check signer and Mike Schwarzkopf should be removed.

IV: 46 North Landscape and Design Improvement Project:

Clay Cook and Will Henslee, owners of 46 North Landscape and Design, attended the meeting to discuss the landscape improvement project. After introductions were made, Mr. Henslee explained they were on the home stretch of completing the project. All the hard work is done. Currently, they are spreading seed and top soil and installing erosion mats where needed. He and Mr. Cook are very proud of the project and have thoroughly enjoyed working at the complex. Mr. Henslee explained that erosion mats will cover the entire south slope of the complex and along where the water pump house is located. If there are erosion mats left over, they will place them at the cross section of the two roads. Mr. Henslee explained that all areas in the complex that are trouble areas, whether flat or sloped, will have erosion mats. Mr. Cook explained he and Mr. Henslee will want to come back next spring to reseed and check on areas where erosion mats were placed to ensure dirt and seed did not wash away from those areas.

Mr. Crowther asked what the timeframe is for grass to begin growing. Mr. Henslee explained the grass will start to hold the soil and begin growing next spring. HPM and 46 North Landscape and Design will throw seed down now and next spring. Grass will

begin to grow with top soil. The existing grass will improve dramatically after the snow melts next spring and new grass will come through.

Mr. Elledge asked for clarification on why there was no irrigation drip system placed between K2 and K3. Mr. Henslee and Mr. Cook explained unfortunately the way in which the area was originally built, water and/or rain goes directly into the buildings because the slope is pointed directly toward the buildings. The water sits at the foundation of the buildings. Therefore, Mr. Henslee and Mr. Cook dug a large hole in the asphalt (4 feet deep/6 feet wide) and filled the hole with rock instead of dirt. They created a detention pond, otherwise called a French drain. This will allow the area between K2 and K3 to dry out when it does rain and/or get wet. This area will catch gutter water and blacktop water. It is a huge improvement. The area has been completed with "planted" boulders, potentillas, and a young evergreen tree. The plantings currently in place will not require irrigation. Mr. Henslee and Mr. Cook formulated this correction which will mitigate the water drainage against the building. Great job!

There were no other questions/comments. Mr. Kobin thanked both Mr. Henslee and Mr. Cook for an excellent job on the landscape design project. All owners have been unanimous with their satisfaction in the project.

V: Update Regarding Retaining Wall Reimbursement:

Mr. Kobin explained the status of reimbursement for the retaining wall between buildings J and K. The Board has made attempts since October 2010 to receive some type of contribution towards the new retaining wall built between buildings J and K. They have continued to run into a brick wall and have received complete reluctance from the developer. The Board did obtain an engineer's report on the existing condition of the retaining wall (before the new one was built). Mr. Kobin explained that the developer stated the way in which he built the wall was the best he could do.

The engineer's report also disclosed the trench in the back of building I was in violation of code. The trench negatively impacts the drainage. To correct this negative drainage, a buildup of berm needs to be implemented. This will cost roughly \$2,700. 46 North Landscape and Design did move forward with this correction.

Mr. Kobin explained the bottom line is the Board is pursuing the developer legally. An invoice has been sent to the developer for \$12,000 for the retaining wall between buildings J and K, as well as \$2,700 for the trench behind building I. The Board has hired Troy Bentson of Browning, Kaleczyc, Berry & Hoven, P.C. from Bozeman. In addition to the expenses stated above, the Board is also going to address with Troy Bentson the following:

- Building conditions that will have to be cured. Is this something that can be addressed for the buildings still owned by the developer?
- Do the Association's governing documents allow any control over allowing additional, developer owned units to the Association?

- Does Montana State Law have any control over the addition of units to an Association?
- Does the Association currently have any control regarding deferred maintenance being brought current to those units still owned by the developer?

The Board will pursue these questions and expenses with the lawyer. Mr. Crowther commented they will not spend an unreasonable amount but it is worth determining if the Association has grounds to fight. Mr. Kobin commented they would like to find out from the lawyer if it is possible for the Association to pass a resolution to require any new unit brought into the Association must meet specific requirements. The first step is to meet with Troy Bentson and find out what is possible and/or what can be done. Mr. Hammond suggested also discussing with the lawyer the Association's ability to "lien" the developer units for the amount of deferred maintenance needed. If it is possible, can the governing documents be amended to reflect this? Then, when a buyer comes in to buy a developer unit, the developer will then be notified and something will have to be done if the unit is to sell.

Several owners present agreed pursuing this legally and meeting with the lawyer to find out what can be done is appropriate. The goal is to protect the Association! The owners present did share concerns about the cost of legally pursuing the developer. However, pursue as planned and then see what happens.

Mr. Kobin thanked all the owners present for their support. After he and Mr. Crowther meet with Troy Bentson, he will send out an update report to the ownership.

VI: Review of Maintenance Issues of Painting/Spraying Buildings and Decks:

Earlier in the summer, the Board requested HPM to obtain bids for painting and staining the exterior buildings/decks. The following three companies submitted bids:

- 1) Dick Schroeder Painting
- 2) Moonlight Painting & Finishing, Inc.
- 3) EL Painting Inc.

Each bid was discussed in detail. The bid from Moonlight Painting & Finishing, Inc. was the highest price, and therefore no further discussion took place. Dick Schroeder Painting and EL Painting, Inc. had competitive bids. Unfortunately, the Dick Schroeder Painting estimate did not include prices on caulking, decks, and doors. However, after review, that estimate was lower. If caulking, decks, and doors were added in, Mr. Hammond felt the bid would still be competitive with EL Painting, Inc.'s bid. HPM will request from Dick Schroeder the total estimate with caulking, decks, and doors included. After that estimate is received, the Board will compare the Dick Schroeder Painting bid with the EL Painting bid. In summary, the costs run between \$8,000 and \$10,000 per building based on 4plex and 2plex buildings.

The Board would like to begin painting/staining summer 2012. There are 3 buildings to address. Mr. Hammond suggested to the Board and owners present having the painting performed on a rotation and to begin with building I, then moving to building J

summer 2013, and then completing building K in 2014. This is how several Associations handle their painting/staining. Spot painting could be applied to areas on the south side of buildings that have to wait in the rotation. Decks could also be treated in the same manner.

Mr. Elledge asked if owners could paint their own decks. Mr. Hammond commented if owners painted their own decks, colors and products would need to be discussed and determined and would need to be the same for everyone/every building. Ms. Butler commented all buildings/decks need to have a uniform look. There were concerns if each owner handled their own deck that it would not be uniform. There was also discussion that this project should take place all at one time so all the buildings/decks are uniform.

Discussion then turned to funding the project. After much discussion, the recommendation was to take the entire reserve balance for 2012 and complete the painting/staining project, including all decks next summer. The entire reserve balance would be roughly \$26,000 and would fund this project. In going into 2013, there would not be a reserve build up but the Board could then begin a more sophisticated reserve study for future projects and deferred maintenance. Before making this decision, the Board would disclose the appropriate information to the owners and present a proposal.

Therefore, Ms. Rude made a motion for the Board to explore utilization of all of the reserve fund to paint/stain the buildings and decks next summer (2012); review how to build the reserves back up; and finally, reanalyze the use of each reserve fund. Ms. Braun seconded the motion. All in favor; motion passed.

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

Mr. Hammond presented the manager's report and read through the highlights of services completed at the complex this year. Please also note: HPM landscape crew will be maintaining 46 North Landscape and Design's work completed this summer.

After the completion of the manager's report, Ms. Butler asked about the status of the asphalt patching on the walkway at J3 and K1. Ms. Hickey (HPM field rep) commented that High Country Paving was scheduled to complete this work late summer/early fall 2011. It was requested High Country Paving also take a look at the left hand side area of the road leading up to Timber Crest Road. The asphalt is broken, probably due to a heavy truck or a plow. HPM will have High Country Paving take a look at this as well.

VIII: Old Business:

Ms. Butler asked about the status of an entrance sign and name change for Pines Phase II. Mr. Kobin explained that a sign would cost roughly \$2,000-\$3,000. At this point, those additional expenditures are neither available nor necessary to spend. Another reason why is because of discussion of changing the name of Pines Phase II. This has been discussed in the past but no final decision has been made as to what the name would be and how legally it would be handled. Thoughts have been to change the name to "The Upper Pines". However, there are additional expenditures to do that

as well. Therefore, at this time, nothing will be done regarding the entrance sign and name change. More discussion will follow at a later time regarding this particular project.

IX: New Business:

Doug Crowther and Ali (HPM) worked together soliciting bids for a lower premium on the Association's insurance. The current insurance agent, Brad Daws, of Brad Daws State Farm, lowered the premium by roughly \$2,000. Therefore, the Association will remain with Brad Daws State Farm.

X: Board Member Election:

The current board members are:

- 1) Walter Kobin: President
- 2) Doug Crowther: Treasurer
- 3) Jana Butler: Secretary

The slate listed above was reelected to serve another year on the Board.

XI: Questions/Answer Session:

Ms. Butler expressed concern regarding the huge drop off between buildings J and K. There is a 6 foot drop off where the new retaining wall has been built. There is concern about the safety of this area and the liability of the Association to address. A suggestion was made to implement suitable fencing to deter people/children from jumping and/or falling. HPM will work with the Board and come up with suggestions and a resolution.

XII: Adjournment:

Mr. Elledge made a motion to adjourn the meeting at 11:05 a.m. Ms. Rude seconded the motion. All in favor; motion passed. The meeting was adjourned.

Exhibit A

PINES CONDOMINIUM PHASE II

**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

July 31, 2011

Richard T. Lindell II, CPA

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certified public accountant

Accountant's Compilation Report

To the Board of Directors and owners of Pines Condominium Phase II:

We have compiled the accompanying balance sheet of Pines Condominium Phase II Association as of July 31, 2011, and the related statements of revenues, expenses, and changes in fund balance for the period then ended and the accompanying supplementary information contained in Schedule 1 for the period then ended which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or any other form of assurance on them.

Management (the board of directors) has elected to omit substantially all of the disclosures, the statement of cash flows, and the statement of comprehensive income required by generally accepted accounting principles. If the omitted disclosures and statements were included in the financial statements, they might influence the user's conclusions about the Pines Condominium Phase II Association's financial position and results of operations. Accordingly, these financial statements are intended solely for the information and use by Pines Condominium Phase II Association members and their Board of Directors, and should not be used by third parties or others who are not informed about such matters.

The American Institute of Certified Public Accountants has determined that supplementary information about the future major repairs and replacements of common property is required to supplement, but not required to be a part of, the basic financial statements. The Pines Condominium Phase II Association has not presented this supplementary information.

We are not independent with respect to Pines Condominium Phase II Association.

Lindell & Associates P.C.
August 27, 2011

Pines Condominiums Phase II
Balance Sheet
As of July 31, 2011

	Jul 31, 11
ASSETS	
Current Assets	
Checking/Savings	
BSWB Operating	62,931
Total Checking/Savings	62,931
Total Current Assets	62,931
TOTAL ASSETS	<u>62,931</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
Accounts Payable	44,935
Total Accounts Payable	44,935
Total Current Liabilities	44,935
Total Liabilities	44,935
Equity	
Retained Assessments	25,348
Net Income	-7,352
Total Equity	17,996
TOTAL LIABILITIES & EQUITY	<u>62,931</u>

Pines Condominium Phase II
Statement of Revenues, Expenses and Changes in Fund Balances
October 1, 2010 through July 31, 2011

	Operating Fund	Betterment Reserve	Driveway Reserve	Siding/Staining Reserve	Roof Reserve	Total
Revenues:						
Assessments	34,000	1,500	1,500	1,500	1,500	40,000
Special	42,665					42,665
Total Revenues	<u>76,665</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>82,665</u>
Expenses						
Administrative:						
Accounting	1,511					1,511
Insurance	6,774					6,774
Office/Postage	171					171
Maintenance:						
Building Maintenance	0					0
Chimney Inspection	450					450
Fire Sprinkler Maintenance	7,919					7,919
Garbage	3,500					3,500
Landscaping	1,175					1,175
Management	4,000					4,000
Snow Plow	1,800					1,800
Snow Removal - Roofs	3,233					3,233
Reserves:						
Betterments		500				500
Driveway/Road						0
Roofs						0
Landscape Project	58,984					58,984
Siding/Staining						0
Total Expenses	<u>89,517</u>	<u>500</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>90,017</u>
Revenues in Excess of Expenses	<u>(12,852)</u>	<u>1,000</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>(7,352)</u>
Fund Balances, September 30, 2010	9,344	4,001	4,001	4,001	4,001	25,348
Fund Balances, July 31, 2011	<u><u>(3,508)</u></u>	<u><u>5,001</u></u>	<u><u>5,501</u></u>	<u><u>5,501</u></u>	<u><u>5,501</u></u>	<u><u>17,996</u></u>

Pines Condominium Phase II
Schedule 1 - Budget to Actual & Proposed Budget
July 31, 2011

	10 Units Approved Budget <u>2010/2011</u>	Actual 7/31/2011 <u> </u>	(Over)/ Under <u> </u>	10 Units Proposed Budget <u>2011/2012</u>	
Administrative					
Accounting	1,975	1,511	464	1,975	
Insurance	9,000	6,774	2,226	9,000	1
Miscellaneous	325	0	325	325	
Office Expense	200	171	29	200	
Total	<u>11,500</u>	<u>8,456</u>	<u>3,044</u>	<u>11,500</u>	
Maintenance & Services					
Building Maint	500	0	500	500	
Chimney Maintenance	500	450	50	500	
Fire Suppression Maint	6,000	7,919	(1,919)	3,500	
Garbage	3,500	3,500	0	3,500	
Landscaping	2,000	42,464	(40,464)	2,500	
Management	4,800	4,000	800	4,800	
Snowplowing	1,800	1,800	0	1,800	
Snow Removal - Roofs	3,500	3,233	267	3,500	
Contingency	1,900	0	1,900	1,900	
Total	<u>24,500</u>	<u>63,366</u>	<u>(38,866)</u>	<u>22,500</u>	
Total Operating Budget	<u>36,000</u>	<u>71,822</u>	<u>(35,822)</u>	<u>34,000</u>	
Reserves					
Betterments	1,000	500	500	1,500	
Driveway/Roads	1,000	0	1,000	1,500	
Roofs	1,000	0	1,000	1,500	
Siding/Staining	1,000	0	1,000	1,500	
Total	<u>4,000</u>	<u>500</u>	<u>3,500</u>	<u>6,000</u>	
Total Budget	<u>40,000</u>	<u>72,322</u>	<u>(32,322)</u>	<u>40,000</u>	
Annual dues per unit	\$4,000.00			\$4,000.00	
Dues Per Unit Per Quarter	\$1,000.00			\$1,000.00	

1 Policy 11/15/10-11/15/11 is \$6,832



**Pines Phase II
Annual Owners Meeting
September 2, 2011 @ 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 at the complex for 2010/2011.

➤ **Fall/Winter 2010:**

- Ⓢ Winterized irrigation system.
- Ⓢ Established snow plowing contract for winter with Grizzly Snow Removal, Inc.
- Ⓢ Performed annual fire sprinkler inspections throughout the complex.
- Ⓢ Checked light bulbs throughout the complex.
- Ⓢ Subcontracted Cornerstone Management Services, Inc. to brace decks at units I1 and I2.
- Ⓢ Monitored walkways for snow/ice buildup.
- Ⓢ Supervised IT&M's repair work on fire sprinkler systems at units J1, J2, J3, and J4.

➤ **Winter 2011:**

- Ⓢ Subcontracted Montana Steamworks to shovel unit I2 due to a roof leak.
- Ⓢ Shoveled valley areas on roof to keep clean of ice/snow buildup.
- Ⓢ Monitored walkways for snow/ice buildup.
- Ⓢ Montana Steamworks managed roof shoveling services throughout the winter.
- Ⓢ Checked light bulbs and inside switches throughout complex.
- Ⓢ HPM (Scott Hammond and Ali Gregory) met with owners at unit I2 to meet with 46 Landscape and Design, Inc. to initiate discussion on the proposed preliminary landscape design.

➤ **Spring 2010:**

- Ⓢ Engaged with High Country Paving to quote J3 and K1 for asphalt patch repairs; Received approval from the Board to engage with High Country Paving to perform the repairs; High Country Paving will perform the repairs when they have other work in Big Sky to help reduce trip charges.
- Ⓢ Checked gutters for any necessary repair work.

➤ **Summer 2011:**

- Ⓢ Met with EL Painting, Inc. to obtain estimate for painting the buildings per the Board's request.
- Ⓢ Met with Moonlight Painting to obtain estimate for painting the buildings per the Board's request.
- Ⓢ Replaced damaged down spout at unit I1.
- Ⓢ Met with HPM Landscape Supervisor Scott Foley to discuss lawn maintenance for the complex.
- Ⓢ Met with 46 North Landscape and Design Inc. to discuss initiation of landscape improvement project.
- Ⓢ HPM field rep blocked off areas between units J4 and K1 to allow crane to remove concrete blocks.
- Ⓢ Managed 46 North Landscape and Design, Inc.'s performance throughout landscape improvement project.
- Ⓢ Provided weekly pictures and updates to the ownership for the landscape improvement project.
- Ⓢ Completed chimney inspection and cleans with Canyon Chimney.
- Ⓢ Checked all light bulbs and inside switches.

Thank you,

Hammond Property Management