

PO BOX 160099 BIG SKY, MT 59716

Annual Owners Meeting Of SPC Condominium Association, Inc. ("SPC") March 11, 2011 9:30 AM - Big Sky Water and Sewer District Building

Minutes

I: Call to Order

The meeting was called to order at 9:34 a.m. by Ernie Filice and seconded by Jim Hammelman. A quorum was established with 28 proxies received and 7 unit owners present at the meeting.

Attendees at the meeting were the following: SPC owners: Ernie Filice (Unit #8); Jim Hammelman (Unit #11); Brad Fretz via conference call (Unit #43); Marty Schuma (Unit #7); Frank Alley (Unit #36); Cynthia Lawson (Unit #17); Pat Vander Voste (Unit #48); Todd and Stacey Chapman (Unit #55). Attendees from Hammond Property Management, Inc. ("HPM") were: Scott Hammond, Ryan Welch (appointed SPC field representative), and Angie Guinn. Also in attendance were SPC's accountant, Rich Lindell, and SPC's insurance representative, Tom Downey.

II: Approval of 2010 Annual Meeting Minutes

Ernie Filice made a motion to approve the 2010 Annual Meeting Minutes. The motion was seconded and passed.

III: Financial Review (Please refer to Exhibit I)

Jim Hammelman introduced Rich Lindell (Lindell and Associates P.C.), the accountant for the Association. Rich Lindell took over Mike Schwarzkopf's business. Mr. Lindell is from Texas and serves businesses in Big Sky, as well as other associations. Also joining the meeting is Tom Downey from Payne Financial Group, the Association's insurance broker. Mr. Downey will present to the group SPC's insurance information.

Mr. Lindell reviewed the Balance Sheet and pointed out the total of \$65,237 between the checking and savings accounts. The total includes the \$25,000 deposit that represents surplus reserves. Accounts receivables concluded at \$440 for the year, which was down from \$2,300 in 2009. Accounts payable ended at \$7,586, which was down from \$15,500 in 2010. Lastly, the total equity ended at \$59,346, which is up from \$31,000 for last year.

The statement of revenues and expenses was then reviewed. Overall, SPC ended the year with a surplus of \$6,181 in the operating budget. The working capital fund ended the year with a zero balance after transferring the balance out to the betterment reserve to bring that to a zero balance as well. The working capital budget was funded through developer unit sales which have now been completed. Since all developer units have been sold, there is no longer any need to continue activity in that fund in the future. The painting reserve balance was \$23,000, after \$21,400 in expenses for 2010. The roof reserve started at \$12,800 and ended the year at \$14,800. The road reserve ended at \$15,306. Overall, the total funds at the end of the year are \$59,346.

Jim Hammelman noted that SPC's challenge is keeping the Association's assessments stable while continuing to build the reserves for future capital expenditures (roofs, parking lot, etc.). In the future, the Board will approve resealing the parking lot and continue to reserve for roofing expenses. The Board will discuss options to fund the roof replacement at a later time. The Association has roughly eight years before new roofs need to be installed.

Discussion regarding resealing/repaving the parking lot took place. Marty Schuma responded that the Complex will not need repaving but he would recommend chip sealing about every 5-10 years. Chip sealing adds a layer of ¾ inch pea sized gravel on top of the existing pavement and then bonds to the current pavement. The Montana Department of Transportation recommends chip sealing. Scott Hammond also agreed with Marty Schuma's timeline on chip sealing. SPC's parking lot is coming due for a reseal. Scott Hammond presented his estimates for sealing of about \$10,000. Presently, \$10,000 has been budgeted in the long-term strategic plan for seal work in 2012. Before any seal work is done, the downspout work and water meter work needs to be completed since those projects would require removal of the pavement.

Rich Lindell continued discussing actual budget performance. As to Administrative Expenses, SPC ended with a surplus of almost \$3,000. The Maintenance Budget ended with a small deficit of about \$1,200, mainly due to building repairs, fire suppression, landscaping, and roof shoveling overages. The Recreation and Clubhouse budget had a surplus of almost \$6,500. There were some expenses incurred in the Reserve portion of the budget. The Association funded \$30,000 from the Betterment Reserve for downspout work and \$21,500 for painting and staining. Overall, there was a \$4,300 surplus in the reserves. Jim Hammelman mentioned that the Association reduced the number of buildings planned for painting and staining to allow the downspout work to be completed so the reduction in painting cost essentially offset the cost of the downspouts. There was an overall surplus of \$12,417 for the year. Lastly, next year's budget is based on assessment revenues from all 55 units with no developer-owned units. The operating budget is \$340,000.

The Board plans to continue spending money prudently while enhancing the value of the Complex and differentiating the Complex from other premier complexes in Big Sky. The Board intends to control the assessments and keep them as flat as possible, absent some extraordinary event. SPC's assessments compared to other premier complexes in Big Sky are in the lower quartile. Scott Hammond mentioned that SPC has lower assessments then Crail Creek Club or the Townhomes at Crail Ranch and neither of those complexes have a clubhouse or pool. There is no anticipated increase in dues for the next several years.

A separate account was opened at American Bank for the Association's reserves to get the best yield possible. The account currently has a balance of approximately \$25,000. Usually, in the front of the year there is a higher spend (versus the stable assessment income), so effectively reserves are used for working capital during this period. As the Association builds reserves, such monies will be moved into the savings account over time. Essentially, the reserve accounts are being rebuilt after the associated costs of the ice melt system installed a couple of years ago.

Rich Lindell concluded his discussion on the financials and asked if anyone present had any questions. He was asked if there was a new address for assessments to be sent to. Rich Lindell stated that all the contact information and the location are the same.

Jim Hammelman noted that the Board does monitor the receivables. Presently, there is one owner that is past due and that owner has been contacted to get current so that will be solved. SPC has enjoyed reasonably good compliance on assessment payments from all owners.

Rich Lindell excused himself from the meeting, and Jim Hammelman turned the meeting over to Tom Downey with Payne Financial Group ("PFG") to review the Association's insurance coverage.

Tom Downey explained that PFG arranged the insurance for SPC during the construction phase and continuously since SPC's completion. The water leaks and repairs in the past have had a huge impact on the insurance costs. The insurance company that was insuring the property decided not to renew the policy after some material losses. That presents a challenge for PFG as our representative. Currently, SPC is insured with Fireman's Fund Insurance Company. This year's insurance premium is \$38,863, which is down a little from \$40,551 last year. With each year, the loss ratio is improving for SPC which helps lower the premiums. Jim Hammelman mentioned that it is the policy of many insurers to look back three years so the Complex is nearing the three year look back period as the most recent water damage claims were incurred during the winter of 2008. In addition, PFG is sharing all of the efforts SPC has made to address leaks with the insurers, which they will view as positive as no claims have been filed in recent years. Jim Hammelman explained that every winter the number one goal is to prevent roof leaks. At this point, the Association has been successful, and Scott Hammond has been a complementary part of this success through his steaming business.

Tom Downey then discussed SPC's current policy. Generally speaking, there is a challenge in insuring condominiums because each owner actually owns part of the building. The Association owns the shell of the building and the unit owners own the things attached inside, such as wall coverings and floor coverings. Tom Downey recommends simplifying the policies in favor of the owner so that the entire structure is covered on the association policy. As such, this coverage strategy is in place for SPC which provides economies of scale purchasing power and allows the claim process to be expedited. In the case of SPC, each owner only needs to insure for personal property and liability. Anything permanently attached to the building is covered under the Association's policy. Tom Downey recommends formally documenting what is in the unit using a quick video so that in the case of a loss you have proof of contents. In addition, if an owner has any questions they can call Tom Downey (406-533-1007). Jim Hammelman noted that it is each owner's responsibility for contents coverage and the Declaration requires each owner to maintain \$300,000 in liability coverage. purpose of the liability coverage is to protect the Association from claims in an individual unit.

Tom Downey then discussed specifics about the policy. PFG has aggregated the values of all the buildings into one policy limit. There is a blanket value of \$23.2 million available for any property loss to the buildings with the exception of earthquake which has a sublimit of \$5 million. The purpose of the blanket coverage is to have the full \$23.2 million available for a loss. The chances of having a total loss on every building is unlikely, so \$23.2 million may not replace the whole complex, but is very likely to be enough to cover any partial loss. Earthquake was added two years ago and can be increased in one million dollar increments. Once some of the major project costs, like downspouts, etc. are completed, SPC has the option to increase the earthquake insurance. Of course, each owner reserves the right to purchase supplemental insurance coverage over and above the coverage of the Association.

Liability coverage is \$1 million per occurrence and \$2 million per year. There is an umbrella policy for another \$1 million of coverage. There is an endorsement stating that all unit owners are covered on the Association policy for claims in the common area. Another endorsement includes protection for carbon monoxide claims including pesticide, herbicides, fumes, and vapors from wall coverings.

Mr. Downey reviewed automobile coverage for any non-owned vehicles on or off property. If there is an accident and someone decides to sue the Association on top of the coverage of the vehicle owner, the policy protects the Association for \$2 million. Ernie Filice, per the request of the BSCC, asked if a pedestrian walking on the trail through SPC is hit in the parking lot or on a bridge, is SPC covered. Tom Downey responded that the premises liability covers you up to \$2 million. If the BSCC needs to be added to your policy as an additional insured that can be done. However, policy limits can be potentially diluted. The consensus among the group was BSCC should have the responsibility of the insurance instead of SPC taking on that burden with regard to the BSCC trail. Lastly, the umbrella coverage for the Association is \$1 million.

Tom Downey will provide a summary of the Association's insurance for owners to help make sure they are covered correctly on their personal policy, and to also explain the basics of the Association's policy (*Please refer to Exhibit II*).

Jim Hammelman thanked Tom Downey for coming. Again, please refer to *Exhibit II* for a summary of the Association's insurance coverage. Again, please note that each owner reserves the right to insure their property with additional coverage over and above the Association's coverage.

IV: Manager's Report (Please refer to Exhibit III)

Scott Hammond reviewed the highlights of the Manager's Report. There were zero leaks for the 2009/2010 winter season. There was some minimal snow and ice removal. Ernie Filice requested that Scott Hammond investigate and report to the Board if steaming the roofs is harming the shingles. It will cost \$30,000-\$40,000 per building to replace the roof. In this climate, the roofs will need replaced about every 15-20 years. Jim Hammelman noted SPC's long term plan has roof replacement scheduled to start in 2020 and be completed in 2025. Building #4 and #5 were replaced two years ago. Scott Hammond noted the buildings have been steamed for the past 3 years and have not had any reports of damage to roofs.

Scott Hammond continued to reviewing the Manager's Report. There was general maintenance with the clubhouse, spring cleanup, constant light bulb changing, constant pond work with regards to algae cleanup and pump work, and irrigation system fire up.

David Hoover from Old World Builders repaired the tile in the hot tub. A question was asked if we can cover the tile with something that requires less maintenance. Ernie Filice replied that the decorative tile and terra cotta coping strip that has been replaced is already failing, so the goal is to find another material that will stand up better in this climate and still maintain the current appearance. If there is success on the stairs, the Board will approve replacement of the tile with plaster in other areas as well.

Scott Hammond discussed summer highlights including: work completed behind buildings #9 and #12 with 46 North Landscaping, Inc.; fertilization, weed and feed, and deep root applications. Ernie Filice commented Scott Hammond proactively had his team put moose fencing around the landscaping areas in the fall. HPM met with the state inspector about the pond and are working towards obtaining a fishing license. HPM also obtained estimates from 46 North Landscaping, Inc. to improve drainage behind building #8. Lastly, HPM met with Big Sky Wi-Fi to initiate internet service and discontinued Three Rivers service. The new service saves about \$1,200 a year. Ryan Welch noted that the new service provided by Big Sky Wi-Fi is less troublesome than the Three Rivers service. In the spring, there will be a discussion again about internet when the new fiber optic lines are installed.

Scott Hammond completed the Manager's Report discussing services performed in the fall of 2010. There was typical winterization of the pool, pond, and exterior of the

Complex. HPM finished the rock pathway between buildings #4 and #9. HPM finished the irrigation extension behind buildings #3, #4, #9 and #12. Ryan Welch worked with DirecTV to complete the satellite dish reduction. Fire suppression was checked for the annual inspection and there were some glycol repairs needed. The cost of those repairs caused the Association to slightly exceed the associated budget category. HPM completed deck staining and stained some bridge railings. HPM worked with Mountain Home Electric to repair some problematic breakers on the ice melt system. HPM, on behalf of the Association, engaged Shad from Smitty's Plumbing for the annual boiler inspections. Scott Hammond concluded mentioning Ryan Welch continues to manage the seasonal fluctuations of the trash pickup at the Complex which came in under budget in 2010.

V: Roof Project Update

Ernie Filice explained the downspout tie-ins that were completed in 2010 are working well. Generally, the downspout projects required Dick Anderson Construction ("DAC") to cut in two feet and installed a drain pipe to connect to the main storm sewer, and then connect the main storm sewer to the downspout. There is a heat wire that goes down into the drainpipe and out to the "T" junction. The repairs have been working well and have not backed up at all. Scott Hammond passed around before and after pictures that were also sent out in December to the owners. Generally, the run-off water is draining into the gravel areas throughout the Complex. The Board is planning to continue the downspout project in 2011 for buildings #5, #7, #8, and possibly building #6.

VI: Fiber Optic Cable Update

HPM met with Three Rivers. Three Rivers will be installing fiber optic cable in May. Big Sky's meadow village will be cut off from copper phone lines this summer. SPC's installation will be difficult because there are no crawl spaces or contiguous mechanical rooms. The proposed installation is to install the fiber optic cable along the conduit for the heat tape that is on the front of the building. It would be tucked into the top of the conduit as professionally and cleanly as possible. Then there would be a drop down to the trim at each garage and the cable would punch through the trim board. Three Rivers would use a cable color to match the stone. From there, the cable would run along the garage trim to the back wall and go through the wall and into the mechanical room below the stair case. The only other option would be to do this on the back side of each building. However, then the cable would be going across the den or lower bedroom. There is no cost associated with the installation. An owner present asked about whether the fiber optics would convert into the existing Cat 5 cable. Hammond explained there will be a new box in the mechanical room that will convert from the fiber optics to the existing Cat 5 cable. Three Rivers does not know what service options are going to be available at this time. Phone service will obviously remain, but there is talk of cable and internet packages as well. A request was made to please consider the schedule of the owners in order that each owner can make sure the closet is accessible and the owners can prepare. HPM will notify everyone via email so they can be prepared. An owner present asked when Three Rivers performs the upgrade, will Three Rivers get rid of the old cable boxes. Three Rivers will remove the old cable boxes.

VII: Cable Dish Reduction Project

Scott Hammond explained the Association has reduced satellite dishes throughout the Complex at no cost. However, DirecTV is now not willing to remove dishes from this point forward without compensation. Brad Fretz explained that DirecTV now has a multi-dwelling unit idea that would solve the problem of multiple dishes on a building. This is presumably free; however, Brad has not been able to get specific information from DirecTV. The general thought is to defer any decisions (and expenses) until Three Rivers finishes the fiber optic cable project.

VIII: 2010 Project List/3 Year Plan (Please Refer to Exhibit IV)

Ernie Filice reviewed the project list. The project list is a rolling three year analysis of projects to be completed. The Board plans to paint and caulk Buildings #4 and #5, and complete modifications to the pond area, as well as fix the drainage problem behind Building #8. The Board has a preliminary plan for the waterfall area improvements, the cost of which has been reduced by 50%, and the Board will arrange to finish the downspout work. These four projects are the highest priority in 2011.

Mr. Filice continued discussing the work to be completed on the meter pits. The sprinkler systems were set up to perform if normal rainfall occurred keeping the lawn from dying. However, over the years, some of the trees and large shrubs have died because sprinkler coverage and watering times have been insufficient. discovered that in the back of buildings #4, #9, #11, and #12, the watering times were not sufficient and there was not enough coverage across the lawn. More zones were added to accommodate the lawns which put a lot of demand on the watering time. On the east end of the Complex, the metering clock on the pool house has 27 zones. During drought restrictions there is a two hour per day limit. Therefore, watering times are too short. The solution was to expand the sprinkler system on the west side particularly around buildings #7, #10, and #11, and add an additional clock by the clubhouse to allow for incremental watering times for the clubhouse and pond areas. This project would also eliminate the 3 water meters that are tied into people's individual mechanical rooms. There would be 1 1/2 inch water main coming out of the meter pits which will give us enough water flow to solve the problems during drought seasons. Based on Big Sky Water and Sewer estimates (using commercial grade equipment), the project will cost roughly \$20,000. The quote is for the commercial grade set up and includes the cost to take the 3 water meters out of the units, and reroute the irrigation lines. The meters could to be purchased through Big Sky Water and Sewer. The Board requested that HPM obtain other quotes to compare to Big Sky Water and Sewer's Also, the Board requested when HPM is obtaining other quotes, investigate options to spread the work out in phases to allow spreading out the costs over time and/or consider performing half the work this year and the remaining half next year. Marty Schuma of DAC offered to provide a quote for the civil work. Thereafter, HPM will obtain a quote from the sprinkler contractor for the irrigation tie-ins. Once the quotes have been submitted, HPM will work with Board to determine completion of the work.

Ernie Filice continued explaining that there are still a couple of months before we get into the summer projects which are projects #1-5. The pond project is \$6,000, and the drainage project is another \$4,000. The waterfall project is \$5,300, which includes: cleanup of area, installing SPC signs around area, and adding flower beds/landscaping to complete the project. If all five projects are completed, the association is over budget roughly \$6,000. To help pay for the \$6,000, the Association may receive savings from the propane line item due to the pool not opening until July 4th weekend. Ryan Welch also proposed pre-buying propane in the summer at lower rates, which will help save money on propane. In summary, the Board will look at projects #1-5 for the focus for 2011.

Ernie Filice continued to review the rest of the projects on the list. The Rules Committee requested permission from the Board to add signs on the campus for speed limits. There have been concerns/complaints that people are driving too fast throughout the complex. The Board agreed this topic should be addressed if/when the trail re-route project is finalized, which should be by the end of the summer. In the meantime, the SPC Rules and Regulations will be given to all owners as a review of appropriate action when driving through the Complex. Also, HPM did send out notice to the ownership to please slow down when driving through the Complex.

Ernie Filice commented on the clubhouse remodel project item because there have been some owner requests. The Board is contemplating turning some of the unused areas of the clubhouse (showers and lockers) into a gym area. This area would allow 5 or 6 pieces of work out equipment, as well as space for stretching and free weights. A rough estimate to do the remodel is \$12,000 – \$17,000. However, there are still some details to figure out before a firm estimate can be given.

Finally, Ernie Filice noted that tree replacement around the campus will be postponed until the sprinkler system project is complete. He also noted the Board will consider adding wood enclosures around the power boxes attached to each building.

Again, a reminder the pool will not be opened until the July 4th weekend.

An owner present asked if it was possible to have a TV package at the clubhouse. Ryan Welch commented that there are no network channels at this time and will look into options of adding some network channels.

IX: Golf Course Easement and Recreation Trail Update

Ernie Filice reminded the group that the Association has been granting Boyne a temporary, vehicle only, year-to-year easement through the SPC east entrance to the golf course maintenance building, and will do so again this year.

SPC has notified the Big Sky Community Corporation (BSCC) that we are interested in removing the recreation trail that runs through the Complex in order to eliminate public traffic through the Complex and accompanying liability and maintenance issues. Ernie Filice reported that SPC has completed a survey of our property and the adjoining

Boyne property, and a proposed re-routing of the trail which re-positions the recreational trail off SPC property, back to the driving range, and into the meadow (approx. 40-50' from the pool area), then back behind Building 9. The estimated cost of trail construction is \$11,000, which includes creation of a berm behind Building 2 and the addition of landscaping. In order to move the trail, Boyne would have to grant BSCC an easement over its property. Discussions with Boyne and BSCC are continuing.

X: Other Business

Ernie Filice noted he has been in contact with a representative from Northwestern Energy (NWE) regarding the unleveled transformer boxes. NWE has not confirmed a timeline but is working with Ernie Filice on getting the boxes leveled.

Ernie asked if there was any other business. There was no other business.

XI: Board Member Election

Ernie Filice, Jim Hammelman, Marty Schuma, and Judy Nilon are up for reelection. An email was sent out prior to the annual meeting asking for volunteers to be on the Board. Marty Schuma has decided to vacate his Board seat but will remain active and will continue to act as a consultant on projects. The Board was contacted by Todd Chapman, expressing interest in the vacant Board seat.

Ernie Filice, on behalf of the Association thanked Marty Schuma and Dick Anderson Construction (DAC) for all of their help through the years!

As proposed by Mr. Filice, the terms of Jim Hammelman and Ernie Filice will expire in March 2015, whereas the terms of Judith Nilon and Todd Chapman will expire in March 2013. The current term of Brad Fretz expires in March 2012.

Ernie Filice requested a motion to pass the proposed terms of the existing Board members and approve Todd Chapman as new Board member with a term as proposed above. Jim Hammelman made a motion to pass the proposed re-election and election of Todd Chapman. Cynthia Lawson seconded the motion. Motion passed.

XI: Adjournment

Ernie Filice adjourned the meeting at 12:10 p.m.

SPC CONDOMINIUM ASSOCIATION, Inc. BIG SKY, MONTANA

FINANCIAL STATEMENTS

For the Twelve Months Ending December 31, 2010

Accountant's Compilation Report

Balance Sheet

Statement of Revenues, Expenses and Changes in Members' Equity

Supplementary Information

Budget to Actual Comparison Statement

For Management Purposes Only

info@bigskycpas.com



Accountant's Compilation Report

To the Board of Directors of SPC Condominium Association, Inc.:

We have compiled the accompanying balance sheet of SPC Condominium Association, Inc. as of December 31, 2010, and the related statements of revenues, expenses, and changes in members' equity for the twelve months then ended and the accompanying supplementary information which is presented only for supplementary analysis, 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 information 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 and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the SPC Condominium Association, Inc.'s financial position and results of operations. Accordingly, these financial statements are not designed for those 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 SPC Condominium Association, Inc. has elected to not present this supplementary information.

We are not independent with respect to SPC Condominium Association, Inc.

Lindell & Associates P.C. Big Sky, Montana

February 8, 2011

SPC Condominium Association, Inc. Balance Sheet

As of December 31, 2010

	Dec 31, 10		
ASSETS Current Assets Checking/Savings American Bank Checking American Bank Savings	40,191 25.046		
Total Checking/Savings	65,237		
Accounts Receivable Accounts Receivable	440		
Total Accounts Receivable	440		
Other Current Assets Prepaid Insurance	1,255		
Total Other Current Assets	1,255		
Total Current Assets	66,932		
TOTAL ASSETS	66,932		
LIABILITIES & EQUITY Liabilities Current Liabilities Accounts Payable Accounts Payable	7,586		
Total Accounts Payable	7,586		
Total Current Liabilities	7,586		
Total Liabilities	7,586		
Equity Retained Reserves Net Income	31,312 28,034		
Total Equity	59,346		
TOTAL LIABILITIES & EQUITY	66,932		

SPC Condominium Association, Inc. Statement of Revenues, Expenses and Changes in Members' Equity For the Period Ending December 31, 2010 For the Year Ending December 31, 2010

	Operating Fund	Working Capital Reserve	Painting/ Staining Reserve	Roof Reserve	Road Reserve	Bettermnt/ Replacemt. Reserve	Total
Revenues							
Assessments	267,455		43,000	2,000	2,000	8,800	323,255
Interest Income	61						61
Miscellaneous Income	1,250						1,250
New Unit Revenue	9,490	2,835	1,526_	71_	71_	312	14,305
Total Revenues	278,256	2,835	44 526	2,071	2,071	9,112	338.871
Expenses:							
Administrative							5.004
Accounting	5,304						5,304
Annual Corp. Report	15						15
Bank Charges	132						132
Insurance	42,898						42,898
Interest	0						0
Legal	613						613
Misc.	1,860						1,860
Office / Postage	2,539						2,539
Maintenance							4.070
Building Repairs/Maintenance	4,079						4,079
Electric - Buildings	49,898					•1	49,898
Fireplace Cleaning/Inspections	3,125						3,125
Fire Suppression Inspect. Maint	8,695						8,695
Garbage	8,035						8,035
Improvements	15,524						15,524
Landscaping	17,856						17.856
Management	53,485						53,485
Roof Shoveling/Maint./Repairs	7,656						7,656
Snow Removal - Roads	15,200						15,200
Water/Sewer - Grounds	2,646						2,646
Recreation & Clubhouse							4.540
Electricity	1,546						1,546
Propane	8,008						8,008
Repairs/Maintenance	2,506						2,506
Supplies	452						452
TV	1,279						1,279
Internet Service	1,049						1,049
Water/Sewer	4,957						4,957
Reserves	900						^
Roof	0						0
Road	0						0
Betterment/Replacement	0					30,000	30,000
Painting/Staining	0		21,480				21,480
Total Expenses	259.357	0	21,480	0	0	30,000	310,837
Excess Revenues over Expenses	18.899	2,835	23.046	2,071	2.071	(20,888)	28,034
Fund Balance at 12/31/2009	(2,395)	5,719	0	12.742	13,235	2,011	31,312
1 Fund Transfers (in/out)	(10,323)	(8,554)				18,877	0
Fund Balance at 12/31/2010	6,181	0	23,046	14,813	15,306	0	59,346

SPC Condominium Association, Inc. 2010 & 2011 Approved Budget For the Year Ending December 31, 2010

Administrative		52 Units Approved Budget 2010	Actual 12/31/10	(Over)/ Under Budget	55 Units Approved Budget 2011
Accounting	Administrative				
Corporate Fee		6,300	5,304	996	6,300
Bank Charges		15	15		
Insurance		150			
Legal		40,800	42,898	and the state of t	
Assessment Contingency Assessment Contingency Miscellaneous Office / Postage Total Maintenance Building Repairs/Maintenance Electric - Buildings/Icemelt Fireplace Inspections Fire Suppression Inspect/Maint Garbage Landscaping Maintenance Improvements Management Sow Removal - Roads Sow Removal - Roads Sow Mater/Sewer - Grounds Total Recreation & Clubhouse Electricity License Electricity License Fropane 10,000 Repairs/Maintenance 10,000 Reserves Total O	Interest Expense	1,000	0.00		
Assessment Contingency 0 0 5,000 Miscellaneous 500 1,860 (1,360) 500 Office / Postage 2,500 2,539 (39) 2,500 Total 56,265 53,361 2,904 61,265 Maintenance Building Repairs/Maintenance 3,000 4,079 (1,079) 3,000 Electric - Buildings/Icemelt 55,000 49,898 5,102 57,000 Fireplace Inspections 3,000 3,125 (125) 4,125 Fire Suppression Inspect/Maint 5,500 8,695 (3,195) 5,500 Garbage 9,800 8,035 1,765 9,800 Landscaping Maintenance 14,000 17,856 (3,856) 14,000 Improvements 17,650 15,524 2,126 29,870 Management 53,485 53,485 0 53,485 Snow Removal - Roads 15,500 15,520 300 15,500 Roof Shoveling/Maint./Repairs 5,000 7,656 (2,65	Legal	5,000	(A 10 / 10 - 10 / 10 / 10 / 10 / 10 / 10 /	10.4 SC1100-1 (S)	
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Total Operating Budget 267,455 259,358 8,097 284,700 Reserves					
Reserves	Total	26,255	19.798	6,457	25,655
	Total Operating Budget	267,455	259,358	8,097	284,700
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Total Budget 323,255 310,838 12,417 340,000	Total Budget	323,255	310,838	12,417	340,000

See Accountant's Compilation Report For Management Use Only

ExhibitII

SPC CONDOMINIUM ASSOCIATION, INC INSURANCE SUMMARY

The insurance for the SPC Condominium Association, Inc. (the "Association") is written to match the requirements of the Declaration of the Association. The insurance program provides maximum protection and cost effectiveness for the Association and each individual condominium owner by covering in one insurance policy the building owned by the Association and portions of the building owned by individual unit owners.

SPC CONDOMINIUM INSURANCE

- In order to assure adequate property valuation, this policy includes blanket building coverage of \$23,233,380 with a \$2,500 deductible per occurrence (allows application of the total limit to any damaged buildings, except damage due to earthquake) The property policy also covers foundations, underground plumbing, and underground wiring. Coverage starts from each unit owner's "walls out" and includes permanent fixtures attached to the inside walls/floors.
- Earthquake coverage is included with a blanket limit of \$5,000,000 with a 5% deductible (allows application of the total limit to any damaged buildings due to earthquake only).
- The coverage includes a \$1,000,000 general liability policy (no deductible) and an additional \$1,000,000 umbrella policy, subject to a \$10,000 deductible per occurrence. This provides a total limit of \$2,000,000 in liability insurance.
- Directors and Officers insurance limit \$2,000,000 (\$1,000 deductible per occurrence).
- Commercial Crime limit of \$100,000 used in lieu of fidelity bond coverage to meet certain lending requirements (\$1,000 deductible per occurrence).

CONDOMINIUM UNIT OWNER INSURANCE

- The unit owner is responsible to insure their personal contents in each unit, including but not limited to: furniture, non-attached fixtures, art work, sound system components, home theater system components, and aquariums.
- The unit owner is responsible to carry a personal liability policy for their unit with a minimum limit of \$300,000 per the Declaration with the Association listed as an additional insured.
- To protect the unit owners; all owners are included as additional insured on the Association's liability policy. A lender can be added as an additional insured for the Association's liability coverage upon request.
- The insurance carriers and coverage's provided are as follows:
 - a. Fireman's Fund Insurance, AM Best "A" rated for property, liability, auto, and earthquake coverage
 - b. Fireman's Fund AM Best "A" rated for umbrella coverage
 - c. USLI AM Best "A" rated for directors and officers coverage
- Insurance certificates are available to owner lenders upon request.
- Lender can be added as an additional insured for the Association's liability coverage upon request.
 Lenders can also be added as Mortgagee on the property in compliance with your loan agreement upon request.
- This is a summary. Please review the Association's Declaration for a more detailed description of these requirements.

If you have any additional questions or need any assistance with your individual insurance program, please feel free to contact the Association's insurance broker, Levi Downey at Payne Financial Group by phone at 406-533-1007 or email at Idowney@pfg-insurance.com.



SPC Condominium Association, Inc.
Annual Meeting
March 11, 2011

Manager's Report

Hammond Property Management has enjoyed our year of service at the complex and look forward to our relationship continuing in years to come. The following is a list of projects completed at the complex outside of our normal daily tours and maintenance of the complex.

/№ Winter 2010

- Completed winter 2009/2010 with ZERO roof leaks.
- Worked with the BSOA/Grizzly Snow Removal to better handle snow storage.
- Cleaned up after dogs throughout the campus.
- Chipped ice away from sewer drains throughout the campus.
- Maintained satellite TV to ensure it continued to function properly.
- Picked up trash throughout the campus.
- Maintained light bulbs throughout the campus.
- Monitored propane levels and subcontracted Amerigas to fill up when necessary.
- Met with Direct TV representatives to initiate dish relocation project with assistance from Brad Fretz.
- Met with Ernie Filice and Brad Fretz (Board Members) to discuss relocation of the jogging path;
 work to be performed by Gaston Engineering.

/ Spring/Summer 2010

- Managed dumpster pickups and updated schedule to one dumpster pick up a week.
- Installed Big Sky recycling signs on dumpster.
- HPM field rep, Scott the Plumber, replaced internal fill and flapper valves in toilet in women's bathroom in clubhouse.
- Shut down bylin ice melt system as quickly as possible as to reduce costs.
- Checked and replaced light bulbs throughout the campus.
- Installed pond pump and "opened" pond for summer.
- Subcontracted Old World Accents to begin work on drywall damage from winter roof leak from failure of heat tape panel.
- Performed walkthrough at campus checking all gutters for damages; contacted Rain Drain Seamless Gutters to obtain estimates for damaged gutters.
- Fired up irrigation system and made necessary repairs.

- Initiated spring cleanup throughout the campus and began mowing services.
- Subcontracted Dave Hoover (Old World Builders).
- Drained and prepared hot tub for Dave Hoover (Old World Builders) to begin plaster project.
- Scheduled Dependable Paint to begin painting rotation.
- Installed parking bumpers and _____ throughout the campus to prevent people from parking on campus lawns.
- Painted fire hydrant bumpers.
- Removed dead trees from the campus.
- Obtained estimates from 46 North Landscape and Design, Cashman's Nursery, and Big Sky Landscaping; Association chose and worked with 46 North on complex's landscaping.
- Subcontracted Forever Green for minor irrigation repairs.
- Planted flowers at entry signs.
- Changed light bulbs throughout the campus.
- Subcontracted NPK to fertilize, weed, and feed throughout the campus.
- •Subcontracted the Little River Company to spray noxious weeds and apply deep root fertilization.
- Raked the pond of algae; added pond products per Urbani Fisheries' direction.
- Met with the state inspector to evaluate pond to obtain a fishing license.
- Pruned all bushes and trees throughout the complex.
- Swept parking lots and power raked landscaped areas throughout the campus.
- Subcontracted Forever Green Sprinklers, Inc. to add irrigation heads.
- Initiated and managed landscape project with 46 North behind buildings #9 and #12.
- Performed walkthrough at campus with Rules Committee to ensure HPM was enforcing rules and regulations.
- Observed and removed several swallow nests throughout the campus.
- Obtained estimates from 46 North Landscape and Design to help resolve drainage issues at units #33-#38.
- Met with Big Sky Wi-Fi to initiate internet service at the clubhouse; discontinued service with 3 Rivers.
- Obtained estimates from Forever Green Sprinklers, Inc. for meter pits.

/ Fall 2009

- Subcontracted Forever Green Sprinklers, Inc. to shut down irrigation system.
- Subcontracted Water Dog, Inc. to winterize pool.
- Covered the hot tub and put away pool furniture.
- Managed dumpster pickups and updated schedule to one dumpster pick up a week.
- Pulled the pond pump out of the pond; winterized pond with appropriate products.
- Performed walkthrough at the campus to ensure all was winterized for upcoming winter season.
- Relocated rocks that were dug up during the fiber optic installation.
- Subcontracted Jason with Big Sky Wi-Fi to fix routers and reconfigure system.
- Performed annual fire suppression system inspections with IT&M.
- Met with 3 Rivers representative, Ron, regarding fiber optic installation for the units.
- Worked with Direct TV on dish consolidation for buildings 4, 5, 6, and 12.
- Caulked basis of entry supports at several units throughout the campus.
- Spread dirt behind unit #12; Completed pathway between buildings to other jogging pathway.
- Pulled parking bumpers.
- Subcontracted DAC to repair downspout at unit #39.

- Subcontracted Rain Drain Seamless Gutters to replace gutters above entryways at units #39 and #41.
- Stained deck board under front porch at unit #51.
- Stained bridge railing (before clubhouse).
- Turned on bylin ice melt system.
- Subcontracted Mountain Electric to repair troubled breakers.
- Subcontracted Amerigas to repair broken propane gauge at clubhouse.
- Engaged Shad with Smitty's Plumbing to perform annual boiler inspections at various units throughout the complex.

Winter 2010/2011

- Replaced bad heat tape zones at units #24 and #34.
- Subcontracted Montana Steamworks to shovel and steam problem areas throughout complex.
- Monitored Direct TV's installation of dish relocation project.
- Managed trash pickups during holidays; consolidated overflowing dumpsters when necessary during the holidays.
- Subcontracted Mountain Home Electric and Gutter to reroute gutters at units #8, #12, and #22.
- Subcontracted Mountain Electric to repair bad panel at unit #41 and to replace bad breakers at buildings #3 and #9.
- Performed twice weekly checks of ice melt breakers to ensure they were working properly.
- Replaced exterior light bulbs at units #7 and #39.

Exhibit IV



PO Box 160099 Big Sky, MT 59716

Spanish Peaks Condominiums

The Project List 2011/2012

- 1. Paint Buildings #4 and #5 ****
- 2. Complete Pond and Improve Building #8 Drainage ****
- 3. Waterfall Area Improvements and Sign Relocation ****
- 4. Complete downspout work on buildings #5, #6, #7, and #8 ****
- 5. Meter Pits ????
- 6. Landscaping Bed at West Entry
- 7. Landscaping Bed at East Entry
- 8. Unit 33 Landscape Bed Improvements
- 9. Unit 37 Landscape Bed Improvements
- 10. Trail Reroute and Reclamation
- 11. Plant "snow on the Mountain" throughout the Complex.
- 12. Little Coyote "Rock Bed"
- 13. Perennials for Entrances
- 14. Potential Additional Signage
- 15. Clubhouse Remodel and Workout Area
- 16. Tree Replacement
- 17. Swallow Nests