



**SPC Condominium Association, Inc. (the “Association” or “SPC”)  
Annual Association Meeting  
March 17, 2008**

**Minutes**

**I: Call to Order**

The meeting was called to order by the Association’s President, Ernie Filice at 10:07 AM.

**II: Establishment of Quorum**

Quorum was established with 13 units represented in person and 33 units represented by proxy (please refer **Exhibit 1** for the list of proxied votes. In attendance at the meeting were: Mr. Dick Anderson (owner of Unit #7)(also as President of Dick Anderson Construction (the “Contractor” or “DAC”)); Mr. Ernie Filice (Board Member and President, as well as owner of Unit #8); Mr. Jim Hammelman (Board Member and Treasurer of SPC, and owner of Unit #11); Mr. Jason Luchini (owner of Unit #24); Mr. Jon Christensen (owner of Unit #25); Mr. Eric Ossorio (owner of Units 26 and 31) Mr. & Mrs. Bradley Fretz (owners of Unit #43); Mr. David Rasmussen (President of Spanish Peaks, LLC which owns Units #36, #39, #46, #47 and #48 also known as the developer (the “Developer”) of the SPC complex, (the “Complex”)); Art Wittich (The Wittich Law Firm, SPC’s counsel); Frank Cikan (architect hired by the Developer for the SPC complex (the “Architect”)); Mike Schwarzkopf (Henning & Schwarzkopf & Co., SPC’s accounting firm); Scott Hammond (Hammond Property Management Inc. (“HPM”); SPC’s property manager); and Tom Downey (Payne Financial Group, SPC’s insurance broker).

**III: Approval of March 12, 2007 Minutes**

Mr. Hammelman made a motion to accept the March 12, 2007 annual Meeting minutes. Mr. Filice seconded. Motion passed.

**IV: Budget Review:**

Mike Schwarzkopf, the Association's accountant, reviewed the financial information of the complex (please refer to the **Exhibit 2** for the relevant financial information). He further noted that for year ended 2007, assuming no further charges related to budget year 2007, there was a current surplus versus budget of approximately \$13,000 and that the 2007 forecasted budget resulted in a fairly accurate cost estimate for a newly developed complex, such as SPC. Schwarzkopf then reviewed how the budget is developed and, in turn, reminding the group that the budget process is not a perfect process, especially at the beginning of an association's life. Schwarzkopf felt that SPC was doing well in regard to accurately budgeting operating costs. He also discussed the special assessment for the ice melt system and how the assessment was billed out and the remaining schedule for the next assessment installments due in April and in July. As planned, he made note of the fact that the Association has currently paid more out than collected for the ice melt system costs. The Association temporarily "bridged" the cost of installation of the ice melt system for Building 2 with excess funds and will receive these funds back from future assessment installments. Schwarzkopf noted that the initial assessment installment due in November was used to secure a 20% discount (\$20,730) by ordering all the materials before the end of 2007. Also, Schwarzkopf noted that the balance sheet shows the Association's actual cash balances at American Bank.

Mr. Filice asked how SPC's reserves compare to other complexes. Schwarzkopf noted that the Association's reserves were somewhat low but that this situation is not unusual for a new complex. Schwarzkopf further noted that once economies of scale are realized through sales by the Developer of remaining unsold units, more funds can be transferred to reserves with the goal of keeping each unit owner's dues within a reasonably range of the current quarterly assessment. Lastly, Schwarzkopf commented that building reserves is a philosophical issue of boards and owners of an association. Some complexes have a "pay as you go" theory and special assess for projects as needed in the spirit of keeping current dues low, while other complexes have a "save as you go" theory and reserve money away in order to minimize the impact of large projects. Mr. Filice noted that the Board tends to favor the "save as you go theory" and a long-term, multi-year savings plan will be incorporated into the 2009 budget.

Schwarzkopf then reviewed the 2008 budget and, although it appears that the Association is over budget, it is expected that a significant portion of the overage in snow removal will be recovered by the claim submitted to Cincinnati Insurance Companies, the Association's property and liability insurer. He also noted that the 2008 budget was based on 49 units (versus 50 current units) with the potential, although debatable, cash flow upside of the sale of the Developer's units before the end of the year.

## **V: Property Manager's Report**

Scott Hammond of HPM reviewed other projects that were accomplished over 2007, excluding the efforts related to ice damming and the associated leakage issues which have consumed a considerable amount of HPM's time for the past five months. Please refer to **Exhibit 3** for the HPM report.

## **VI: Roof Leaks and Ice Issues:**

Mr. Filice provided a short overview of the roof leak history at SPC. In the winter of 2005/2006, SPC experienced the first leaks in the interior of many of the units and caused

the realization that there was a serious roof problem. At the time, the Association was in full control of the Developer and, in order to find a solution, the Developer brought out roofing experts to SPC and worked with such experts and, thereafter, made some roof modifications which were completed in the winter of 2006/2007. During the winter of 2006/2007, a lighter winter in terms of snowfall, SPC did not experience widespread roof leaks; however, there remained an icicle problem throughout the largely finished complex. With the icicle problem and the associated liability in mind, the Board sought to investigate solutions after the turnover of SPC to the owners by the Developer in an annual meeting held on March 12, 2007 when such Directors of the Board were installed in office. In November of 2007, the membership passed a special assessment to fund an ice melt system and the system was installed on Building 2 as a test building in December/January of 2008. In the winter of 2007/2008, SPC has experienced water damage into 33 units at the complex, including the units in Building 2. In January of 2008, it became apparent that SPC needed more information on the roofs, so the Association contacted two experts from Minnesota: (1) Peter Burns (PV Burns Consulting) is an expert on building attic spaces and (2) Paul Morin from the Center for Energy that specializes in energy loss. These experts visited the complex during the last week in January and worked for four days at the Complex in units 25 and 26, making these units effectively "test units". The Developer was present for several hours of the experts' due diligence. The experts have also provided the Association with reports that have been shared with DAC and the Developer. In summary, although various theories exist to fixing the ice damming problem at the Complex, one of the causes is the overheating that occurs in the Complex's attic spaces.

However, DAC and the Developer acknowledged that there is not a clear and easy answer to the problem, and that various possible remedies will need to be tried, with no certainty that they will be fully effective until future winters. The Developer then led the discussion. He clarified that the roof experts brought in 2006 were liaisons with DAC. The results from the 2006 modifications resulted in changes made in the ventilation, a few design changes, and roofing procedure changes. There were also changes in the attics that made the attic space smaller in hopes to keep such spaces cooler. With the advent of the widespread water leak problem, DAC and the Developer have been communicating and have been working on a written plan for the Complex to address the current leak problems. DAC has committed to making repairs to include: removing the blown-in insulation, fixing unfinished sheetrock coverage, and installing Corbond insulation to act as a vapor barrier. Further, DAC, the Developer and the Architect are going to look at the proper sealant for party walls and how to possibly add to the Complex's attic spaces. The Developer promised a written and graphic plan of the work by April 15 which the Association will share with the membership.

DAC will begin the renovation work around April 15 with the goal to have the work completed by June. HPM will coordinate the owners' schedules via a mailing to minimize inconvenience to the owners, to the extent possible. The Architect also noted that he would like to walk through the affected units and look at the areas that have leaked and then coordinate with Mark Tetsen and help make positioning modifications to the location of the ice melt system to maximize the effectiveness of the repairs. It was noted by both DAC and the Developer that the ice melt system is an integral part of the overall repair plan. The question was raised regarding the ice melt system budget and the possibility of cost over-runs if there are more modifications than originally anticipated. The attendees agreed that any cost over-runs would have to be addressed once the Architect makes his recommendation. The Developer mentioned the possibility of foregoing the Architect's



additional ice melt system recommendations and that SPC may want to consider taking the system as designed and positioned "for a spin".

The discussion returned to the party wall issue which was brought up in all of the experts' reports. Mr. Anderson noted that if the party wall heat loss is not addressed then the heating in the attic spaces would not be fully addressed and the group agreed that DAC, the Architect and the Developer would create a decisive plan for this issue. One suggestion by Mr. Anderson was the application of heat resistant foam at the top of the party wall. This issue will be addressed as part of the comprehensive plan to be delivered on April 15. A question was raised regarding insulating the actual roof sheathing (also known as a "cold roof system") and would that help the heat loss. The Architect and DAC agreed that it was a generally not accepted practice as a cold roof system traps condensation into the attic space and often created weeping into the units or mildew in the insulation. Mr. Christenson asked about active ventilation (i.e., electric fans to pull heat from the attic spaces Mr., Anderson responded by saying that this concept was looked into as well and it is also something that the attic experts generally said was a bad idea, Mr. Anderson also mentioned that there are a lot of little things that DAC are going to do that he believes will all add up to a difference in the attic spaces. For example, DAC intends to use boxing over the overhead can lights followed by corbonding over the box. There is heat rising up from the can lights and the boxing in and corbonding over will keep that heat in the unit and not into the attic.

Mr. Filice then asked the Developer what the path forward would be if the proposed fixes in the comprehensive plan to be delivered on April 15 did not work. The Developer assured that he was confident that the proposed fixes would eventually solve the ice damming problem. The Developer said that the solutions may not be 100% effective and that SPC may have to go back after another winter and re-evaluate the ice melt system or look at special cases but he feels that these are a step in the positive direction. Mr. Filice noted that the bottom line is that the owners feel that they were handed a defective product and they are concerned if the Developer was committed to rectifying the problem. The Developer confirmed that both he and DAC are committed to finding a permanent fix to the ice damming and related problems. Mr. Filice also noted that he had spoke to some other Rocky Mountain regions, Sun Valley in particular, about cold roof systems. Cold roof systems are common in Sun Valley, although not code, and it was noted by all that cold roofs are often a solution to these kinds of problems but may not be the right solution in this case. Mr. Christensen noted that he didn't think that the owners should feel slighted in the least if all of the fixes that are proposed in the comprehensive plan are implemented. He felt that there was a tremendous effort being put forward by all parties and he was glad to see it.

Ms. Fretz inquired if a report of the fixes in each unit would be kept on file. Mr. Anderson replied that his supervisors would be keeping record of what happened in each unit. Mr. Hammelman added a suggestion about having a third party be involved on a before and after basis and participate in the documenting and photographing progress. Mr. Anderson suggested that perhaps the Architect would be a good person to come and inspect prior to the insulation work. The Board disclosed that they had already talked to a third party non-affected party but the remaining question was who would pay for such services. The Architect agreed that he could inspect the units and document with photographs for each unit of the repairs and put together a report to be kept on file. Mr. Anderson was concerned with how to disseminate information and the identity of his primary contact for

the Association. Mr. Filice expressed that he would like to be the primary contact for the Association, Mr. Anderson also expressed that he would like to get a schedule for the owners and arrange the timing of repairs in order that the owners are disturbed to the least extent possible. HPM will coordinate collecting schedules and forward to DAC to help make a plan of repairs.

## **VII: Boyne Access:**

Mr. Filice then led a discussion regarding Boyne's access through the complex to the golf course. The Developer gave a brief history of his knowledge of the easement. The easement was in the original sale of land and he never wanted it where it has appeared now because of the danger in pulling out of the clubhouse, the proximity of the clubhouse, and the parking around the corner by unit #7. The Board has investigated the easement and the west easement (actually recorded) is clouded because of a procedural mistake in the filing (which is believed to be by Boyne as they are the entity that was to record the amended easement). Boyne would like the east access (the path by the clubhouse they are currently using on a temporary basis). The original easement is not feasible because of the proximity between the existing buildings and a neighboring house. Mr. Filice has had conversations with Brian Wheeler of Boyne regarding the situation. Boyne is being amicable regarding the situation, however, Boyne has not committed to solving the issue. The Board drafted a letter to Boyne granting them temporary use of the eastern side of the Complex and advised that making it a permanent easement would require some concessions on Boyne's part to include landscaping around the maintenance shed, monetary concessions for the road maintenance, reclaiming the area that has been ruined between the shed and Complex, etc. Boyne has refused to make such concessions. Boyne's most recent request for a list of "what they need to do" has been requested verbally to Mr. Filice and Mr. Filice noted that he would work on drafting yet another letter outlining the Association's list of necessary concessions from Boyne.

## **VII: Bylaws and Declarations Amendments and Changes:**

Mr. Hammelman explained that the changes were meant to be generally "conforming" in nature in the spirit of changing things to more accurately reflect how the Association is actually running, as well as removing some of the conflicting sections. Hammelman explained that the By-Laws were able to be amended with a vote of 75% passage, whereas, as required by the Gallatin County Clerk, the Declaration required individual notarized affirmative vote statements from 75% of the owners. Although, to date, the Association has not yet received the requisite notarized statements, the Board hopes to have the required documentation by the end of April in order to record those changes with the Gallatin County. Hammelman provided an overview of the proposed changes to the By-Laws by giving a short explanation of the change and reasoning behind such change. Hammelman made a motion to accept the By-Laws changes as written. Ernie seconded the motion. The motion was unanimously approved with 5 abstentions by Mr. Rasmussen. The signatures will be collected today and the amendments filed with the County as soon as practical..

Hammelman then continued through the Declaration changes. One of the most significant changes in the Declaration was in regards to the insurance. Tom Downey then gave a short explanation of how the insurance at SPC was set up to work. With these changes, the Association will maintain a master policy for the buildings (i.e., the property coverage) and the owners will be responsible for personal property insurance (in an amount of at least

\$300,000). Tom explained that the minimum requirement for owners for liability coverage allowed the Association to be protected that there is at least a minimum amount of coverage in the case of a loss in an owner's unit. Mr. Christensen inquired about the master policy and if it covered fixtures, as well as upgrades previously paid for by an owner. Mr. Downey indicated that the coverage would restore fixtures to the original state of the unit upon the loss so upgrades would be restored under the master policy and owners needed just for personal property. Downey also noted that often a second home or investment can be added under an umbrella policy from a homeowner's primary residence at a fairly low cost. Downey reminded that this way is really a better way from the standpoint of ease in recovery in the case of a loss and also from a buying power standpoint through insuring 55 units versus an individual insurance policy by each owner.

The Board reminded all owners that if an owner agrees to the Declaration changes, to please return your original notarized affirmative vote statement as soon as possible. All owners are encouraged to provide their affirmative vote statement as soon as possible in order for SPC to file the changes at the County courthouse. Also, the Board encouraged all owners to review your liability insurance coverage to ensure that such insurance is equals or exceeds the required \$300,000 coverage limit. Please refer to **Exhibit 4** for the recorded changes to the By-Laws.

## **VII: Election of Board Members:**

Mr. Hammelman opened the discussion regarding election of Board members. The floor was opened if there was anyone that wanted to volunteer to serve on the Board Pursuant to Section 4.03 of the Declarations; the Board is permitted to have up to five members. Mr. Fretz expressed his interest in joining the Board. Thereafter, Mr. Hammelman made a motion and Mr. Filice seconded, to increase the Board to five members (versus the current three Board members) and allow Mr. Fretz to join the Board. Mr. Hammelman suggested that the current three Board members consisting of Mr. Filice, Mr. Hammelman and Mr. Schuma be deemed to have served one year of the two year base term (consistent with the changes to the By-Laws) with the associated terms to expire upon the date of the annual owner meeting in 2009, whereas Mr. Fretz's term will extend through the date of the annual meeting in 2010. The motion was unanimously passed with five abstentions by Mr. Rasmussen. There remains one open position on the Board.

## **VII: Other Business:**

Mr. Filice led a discussion regarding the addition of an aeration fountain to the pond and that the estimated cost would not exceed \$1,000. Mr. Rasmussen noted that the units close to the aeration fountain may get spray onto their units during windy times.

Mr. Filice also mentioned that the original signs that the Developer had made for the Complex were found last fall and such have since been repaired and refurbished and this summer HPM will have the signs installed in planters at the entrances. The Developer pointed out that he believed Gallatin County only allowed one sign and Mr. Hammond said he would investigate.

Mr. Christensen asked about the exterior lighting design. The Developer said that he did the dark lighting scheme to follow the Big Sky Owners Association (the "BSOA")

regulations. Christensen noted that he was pleased with the lighting as it lights up the Complex enough to be safe but it keeps the serenity of the "Big Sky".

Mr. Filice also noted that he and Mr. Hammond would be doing an extensive walk through of the landscaping at the Complex, including the irrigation system in the spring. He also noted that for next winter, the owners need to address the parking lot drains as the drains are freezing over rendering them relatively ineffective. Also, for next winter, Mr. Filice recommended that the Board look into placing more marking delineators throughout the Complex for the snow removal crews as there are a few areas that are getting damaged.

Another item of note is dog patrolling around the complex. There have been complaints about dogs being let loose in the complex and also about dogs not being cleaned up after. Although there are certainly dogs not being patrolled by the people using the trail, at least the owners at the Complex should patrol themselves. Mr. Filice has talked with the BSOA about helping to patrol the trail a little better.

Mr. Fretz made mention that he was concerned about snow storage as the storage around his unit had been extended so far and so high that his lower level views were completely blocked. Mr. Hammond noted that this year, on top of being an heavy snow year, has also had about three times the snow because of the snow removal from the roofs, thus making snow storage that much harder. The question of exporting was discussed; however, that is a costly solution. Next winter, Hammond commented that SPC should not have the roof shoveling overflow like this year and Mr. Hammond will talk with the snow plow contractor to avoid pushing the snow so far behind Mr. Fretz's unit. However, Mr. Hammond noted that in big snow years, some view blockage should be expected.

Mr. Christensen then asked about gutter heat taping in the small gutters over the entry ways at the Complex. Mr. Hammond said that there is not currently and mostly will not be heat tape installed as part of the ice melt system in those gutters. Christenson stated his main reasoning for the question was the terrible patch of ice that was building up on the entry ways which can be removed but was reforming within hours of removing the ice. It was noted that ice formation is systemic problem throughout the Complex as there is no place for the water from melting ice to go as there is no storm drain system throughout the Complex. Unfortunately, the best advice is for everyone to just be aware of the problem and try to be as cautious as possible.

Mr. Filice asked if there was any other business for the Association to consider.

The meeting was adjourned at 1:35 p.m.