

QUADNA MOUNTAIN TOWNHOUSE ASSOCIATION
MINUTES OF
FALL BUSINESS MEETING
OCTOBER 10, 2009

- I. Call to Order The meeting was called to order by President Bob Madsen at 10:00 a.m. Board members attending were President Bob Madsen and Director David Traut.
- II. Minutes President Madsen stated that the 2008 fall business meeting minutes were mailed to all homeowners following the 2008 Fall Meeting and are also available on our web site. A motion was made, seconded and passed to approve the 2008 Fall Business Meeting minutes.
- III. Insurance
President Madsen stated that insurance coverage for the property was reviewed and updated. The review involved Mark Helmenick, Risk Manager Specialist with the Insurance Brokers of Minnesota introduced by Dave Traut at our Spring meeting; David Lick, our own agent at Itasca Reliable; West Bend Insurance Company and experienced builders. As a result of the study, insurance coverage was increased from 7,310,200 to \$10,585,285. The policy includes blanket coverage. The projected premium is expected to increase approximately 25% from \$30,772 to \$41,528.

The policy renewal date is December 1. The Board plans to increase the deductible from \$5,000 to \$10,000 which would be a cost savings of \$3,000 per year. President Madsen stated that as we get closer to the renewal date, we will be advised the actual insurance change and will have an opportunity to further review the options and impact on owners.

Each homeowner is responsible for the personal property inside their unit, improvements and betterments made to their unit, and their own personal liability coverage.

Homeowners 6 forms (HO-6) are designed to provide insurance coverage when the Association insures the structure that the unit is in. The homeowner's HO-6 policy should provide for loss assessment of the deductible amount currently at \$5,000 and planned to be \$10,000 as of December 1, 2009. It is recommended that each owner review their respective requirements with their insurance professional.

A homeowner asked whether West Bend Insurance Company will continue to cover our property. President Madsen responded that West Bend has advised our agent that they will continue coverage on QMTA property. West Bend has advised that they are discontinuing the Business Owner Policy and will rewrite the coverage under a Commercial Package Policy.

- IV. Legal Documents
President Madsen discussed the notice in the packet for this meeting that the Board has decided to proceed with the rewrite of the governing documents to include opting in to Chapter 515B Minnesota Common Interest Ownership Act (MCIOA). Without the solid foundation of well-written documents and the legal authority granted by MCIOA, the Association does not have the tools it needs to resolve the frustrating issues the Board has been dealing with for many years.

The Board will work with Omega Management and Felhaber Larson (our attorneys) to complete the process. Omega has helped over 30 associations through this process and has never had a failure. Felhaber Larson is a premier law firm specializing in townhouse/condominium law. They have been our attorneys since the early 80's.

President Madsen briefly explained the process. The planned process is that Omega will work with the Board to prepare a Maintenance Service Policy which will delineate the responsibilities between the Association and the individual owners, addressing both who is responsible for performing the work, and at whose cost. Initial drafts of the new documents will be established and there will be multiple reviews with the Board and attorneys, with an objective to review with owners on or before the Spring meeting. Opportunities are available for owners to participate in the process.

V. QMTA Management

The Board is reviewing alternatives to Association management due to a number of factors which include Dave Ingwell planning to retire in two years, the renovation of 8 more buildings, and legal requirements. The current view of the Board is that we should be selective on the specialized services required but not transition to full outside management at least until we have completed the legal document changes and fully plan for maintenance, building renovation and common grounds renovation. In general, the organizations that presented do provide specialized and individualized services on an as-needed basis.

President Madsen informed the members that the Board does plan to use outside services for building renovation and the legal document update.

VI. QMTA Financials

The audit report has been received from Casey, Menden, Faust & Nelson, P.A. President Madsen stated this is an unqualified report which means no material weaknesses were identified.

At the Spring meeting, owners were told we might need a \$100 special assessment from each owner. The Board is not invoking that now. With the review of the insurance in December, it may be necessary to revisit this. A significant change in the insurance requirement may have an impact.

An update on foreclosures was provided. We have two units in the foreclosure process including a unit in Building 2 which has been in arrears for some time. Director Beisner had been working to clear title on this unit. Updated lien documents have been filed against all 52 weeks of this former timeshare unit. Director Dupre is undertaking the responsibility of clearing title on this unit now as Al Beisner has sold his unit and resigned from the Board. The other unit in foreclosure is in Building 1. It is being foreclosed by the bank owning the mortgage. That foreclosure is pending the mandatory waiting period. With the new federal laws, this may be extended six months from the December completion date. We have one additional unit that has been put on a payment schedule and we are enforcing our collection policy overall.

VII. Building Renovation

President Madsen stated the Board is targeting buildings 6, 7, 9 and 10 for renovation in 2010 with the remaining buildings 1, 2, 3 and 11 planned for 2011. The reasons for deferring until 2011 are primarily legal.:

- Building 1 has a unit in foreclosure
- Building 2 has an abandoned unit
- Building 3 has a unit with a lien
- Building 11 is very complex and the Board is working on options/alternatives.

Homeowners in Building 2 voiced concerns regarding the status of the building. It was stated that some owners were unable to install new doors because door sills were rotted. Discussion indicated that all owners of units in the building (with exception of unit 315) want the building renovated as soon as possible and are prepared with their share of the renovation money needed. The request was made that the Board use funds from the reserve fund to renovate unit 315. President Madsen stated that the Board had no authority to use reserve funds to benefit one unit. Further, Director Traut stated that there is no assurance that QMTA will end up owning the unit. Homeowner Darrell Norell stated that he had been involved with this in past years and thought the

county would foreclose in 2010.

A motion was made by homeowner Greg Gustafson (unit 341) that a special assessment of \$400 be made to each of the 93 unit owners to renovate unit 315. The motion was seconded by homeowner Maureen Nuccio-Hiraga (unit 311). Discussion ensued. Following discussion, President Madsen called for a vote via a show of hands (one per unit). The vote: For=6 Against=26 (including proxies).

A motion was made by homeowner Maureen Nuccio-Hiraga (unit 311) that unit owners of units 309, 310, 311, 312, 313, 314, and 316 (all in Building 2) pay a special assessment adequate to permit renovation of unit 315. The motion was seconded by homeowner Leonard Schultz (unit 327). Discussion following the motion indicated that owners of other buildings did not have the right to vote for special assessments of Building 2 owners. The motion was withdrawn. It was agreed a special meeting would be held with Building 2 owners immediately following the Fall Business Meeting. Note: Meeting was held. Owners want to work with Board to resolve.

President Madsen discussed activities and plans on the 2010 renovations. He stated that building specifications have been outsourced. Plans are to send special assessment notices to affected owners in January. It may be possible to start renovations in April.

Member Joanne Madsen reminded owners of RCI spacebanked weeks and the rental impact. She suggested that owners make their needs and wants known to the Board and Building Committee. Further, she suggested that owners consider not spacebanking any more weeks in their building in 2010 if their building is scheduled for renovation to ensure protection of this program that is an important benefit to many owners.

VIII. Old Business

President Madsen suggested that boats/trailers, golf carts, and other summer toys should be removed off from common properties to allow for adequate parking for the winter season.

President Madsen thanked owners who used the dock this summer for their efforts to ensure that this facility could be enjoyed by all owners. The Board is appreciative that this required the extra effort of taking your boat in and out.

Member Mike Laudise stated that he and Leonard Schultz would like to lead a Dock Committee in an effort to address current usage issues, expand the dock, improve security and other related issues including provisions for private lifts. This would include fees as appropriate. The members attending welcomed this and Mike and Lenny will work with the Board, DNR, etc. to implement a plan benefiting all owners.

IX. New Business – Water System

Director David Traut provided information on findings from recent well/water system complaints. He has reviewed the entire water system. His findings are that we currently have three failed tanks; three electric heaters in well houses need to be replaced; and that the Well 3 tank building which services Buildings 6 & 7 is in desperate need of repair.

He has collected service call information for the last several years and is reviewing this information.

He stated that water related problems can be fixed in the near short term but will require a capital investment within a few years.

A member questioned what was learned from the well monitoring. Director Traut stated that two wells have been monitored for a period of one year. Information from the two wells that are being monitored indicated a daily usage rate of 45-51 gallons per unit per day. The typical state average for a home is 85 gallons per person per day. Director Traut indicated we would provide

information to Hill City regarding sewer charges.

X. New Business – Other

President Madsen outlined current and future Board changes. He stated that Al and Jean Beisner have sold their unit and Al has resigned from the Board. Al was a Board member and Vice President of the current board. Al and Jean have been involved with the townhouse association, QMR Co-op and RCI for over 31 years. They have provided valuable services to all of us and they will be missed.

Milt Dupre has been elected Vice President.

In the spring, Joanne Madsen will be stepping down as Secretary of the Association and Bob Madsen will step down from the role of President. President Madsen strongly encouraged members to become involved and consider serving on the Board and/or Committees. He stated there are opportunities on both the QMTA Board and the QMR Co-op Board. He stated his position that the Board should include representatives from all of the demographics, i.e., QMR rentals, RCI exchanges, vacation home owners, permanent residents, summer residents.

President Madsen stated that in the QMR Co-op meeting there was a concern relative to the viability and participation in the RCI Exchange Program. This is a very valuable benefit to owners, whether or not they are in the rental program. Those who wish to preserve this benefit as well as our common properties need to be involved.

President Madsen reported that in the QMR meeting Holly Hansen discussed the current Lodge renovation. A major effort is underway with all Lodge rooms being updated/renovated, a new bar/restaurant put in on the main level, parking lot fixed and many other items on the schedule. The new bar/restaurant as well as several rooms will be completed by December 1 – in time for the first snowmobile race. Homeowner Brian Bauerly shared information on the event. We understand the owner, Partners in Action, has someone on site to manage the renovation and implement an extensive marketing plan targeted at high-end customers.

- XI. The meeting adjourned at 11:40 a.m. President Madsen suggested that homeowners take the time to look at Building 8 – the rebuilding and renovation is complete.

/s/ Joanne Madsen, Recording Secretary