

**QUADNA MOUNTAIN TOWNHOUSE ASSOCIATION  
MINUTES OF  
ANNUAL MEETING  
MAY 2, 2009**

I. The meeting was called to order by President Bob Madsen at 10:00 a.m. President Madsen introduced the Board members. The official sign-in list will be attached to the master copy of these minutes.

II. **Minutes of the Last Meeting**

Minutes of the last annual meeting were mailed to each owner following the meeting and are also available for review on-line at [www.qmta.org](http://www.qmta.org). There were no corrections or additions. A motion was made, seconded, and passed to approve the minutes.

III. **Treasurer's Report**

Treasurer Nancy Deaton presented the financial report. Highlights included:

- 2008 Association Fee Revenue \$208,500
- 2009 Forecast Assoc Fee Revenue \$215,000; which will require fees to be increased to \$200 per unit for all 1-4 bedroom units and a 10% increase for Studio and Studio Lofts.
- 2008 YTD Results – Overall expenses under budget by \$10k, but still exceed annual association fee revenue by \$7k
- Accounts Receivable--current delinquencies are 28K (22K from two properties)
- Discussion Items –
  - Pool charges to Villas/Timeshares - Membership agreed to continue this for another year
  - Possible need for one-time assessment of \$100 late in year to cover operating costs (for unit owners who did not have a 10% dues increase in 2009)

IV. **Excess Funds**

President Madsen discussed the need for a resolution transferring excess funds to the reserve account. The following motion was made, seconded and passed:

**RESOLVED**, that any amounts collected by or paid to the Association in excess of operating expenses for the year ended December 31, 2008, shall be set aside for future major repairs and replacements and allocated to capital components as provided by the guidelines established by Revenue Rulings 70-804, 75-370, and 75-371. Such amounts shall be deposited into insured interest-bearing accounts. Any amounts so added to replacement funds shall be allocated to the various components at the discretion of the Board of Directors.

V. **Board Elections**

President Madsen thanked the three members of the Board whose terms were up for their service: Bryan Major, Joel Richards, and David Traut. He also discussed the nomination process and that bylaws limit the number on the Board to nine. Director Kelsey Gustafson represented the Nominating Committee. He stated that the three members of the Board whose terms were up had agreed to again be nominated for a 3-year Board term. He called for nominations from the floor three times before closing nominations. A motion was made, seconded and passed for a vote of acclamation of the three nominees.

All owners were encouraged to participate in Association activities.

VI. **Maintenance Report**

Director Dupre discussed QMTA maintenance activities and provided a handout of routine and non-routine maintenance activities which included:

- Spring/Summer
- Fall/Winter
- Non-routine Maintenance Activities

This handout is included with the minutes.

Maintenance requirements of our aging common properties continue to grow adding to on-going maintenance demands.

Director Dupre stated that Dave Ingwell had worked 29 years for QMTA and Gene Benes had worked 18 years for QMTA. He also informed members that the telephone/fax number at the shop is 612/697-2636. The experience and expertise of our maintenance staff have allowed us to keep the majority of projects in-house. Major projects such as sidewalk replacement, building restoration, etc. will be outsourced on a bid basis.

Director Dupre recommended that residents restrict their use of the docks to weekdays. He also suggested that all owners take part in reminding people who are violating rules or damaging property, that it isn't acceptable.

VII. **Old Business**

**Building Restoration** – Director Major discussed building restoration planning. He stated that bids are out to get new sidewalks for Building 5. He also stated that due to the time required in the rebuilding of Building 8 following the fire and the current economic conditions there has been no action on restoration of buildings 1, 2, 3, and 11 discussed at the last annual meeting and fall meeting. The Board has decided to take a different approach on building restoration. A project manager will be hired to do specifications and put the specifications out for bids on all remaining buildings. When bids are accepted, the respective owners will get an invoice for their unit. When money is available for a building, a contract will be signed and that building will be renovated.

Director Major also stated the Board recommends owners install new standard windows and doors this year. They are all available either through Andersen Glass or Home Depot in Grand Rapids. Both vendors have agreed to provide the contractor's price to any QMTA owner. Based on homeowner's input, it was agreed the window and door model numbers and prices would be put on our web site along with names and telephone numbers of local installers. A member owner of unit 310 stated that the timeshare owners of the unit had replaced their front door with a solid door and asked if they would be required to buy the new standard door. In response it was noted that the Environmental Control procedure as stated in the legal documents and posted on the web-site should be followed before making any changes to the building structure/exterior. The current window/door standards have been established. Requests for variance must be submitted to the Board.

President Madsen stated that Larry Johnson (a QMTA member and professional landscaper) had provided landscaping plans for Buildings 4 and 5. Plans and costs will be evaluated by the Board with further communication with the owners of units in these buildings.

VIII. **Other Old Business** – None

IX. **New Business**

**A. Building 8 Fire** – Directors Major and Beisner provided a brief overview of the fire damage and the current status. The re-construction is underway and is expected to be essentially complete in June. Building 8 owners have elected to upgrade to the new standards as established with Buildings 4 and 5. Funding will be by a special assessment to unit 8 owners.

**B. Insurance** – Director Traut introduced Mark Helminick to discuss insurance issues, specifically HO 6 coverage, with the membership. Mr. Helminick is a Risk Management Specialist with Insurance Brokers of Minnesota. Mr. Helmenick explained the difficulties for the Board and membership in determining adequate insurance. The difficulty in setting up an HO 6 policy with adequate coverage is the difficulty of identifying and measuring the amount of structural insurance that the unit owner is responsible for. The unit owner is responsible for insuring just the part of the structural interior not covered by the master policy, as spelled out in

association documents. The most common language in a Declaration document is that the unit owner is responsible for everything inside the bare walls and bare floor of the unit. He discussed the Minnesota Common Interest Ownership Act – Statute #515.3 –113 – which permits an association to hold a unit owner responsible for no more than “ceiling or wall finishing materials, floor coverings, cabinetry, finished millwork, electrical fixtures, plumbing fixtures, built-in appliances, and all improvements and betterments to the unit, regardless of when installed. He explained that some older townhouse association’s legal documents may not be consistent with current laws and should be reviewed and modified as appropriate.

He recommended to the members that the owners consult with their insurance professional to ensure that they buy an HO 6 policy that will allow them to be in control with sufficient coverage if there is a claim. President Madsen noted that our current policy is up for renewal in December of 2009.

### **C. QMTA Legal Document Update Proposal**

#### History/Environment – Early 70’s

President Madsen provided some history regarding the Association’s environment in the early 1970’s. He stated that both Quadna and Sugar Hills townhome associations were formed during that time with similar legal documents. Both were resort communities with a strong lodge. People purchased townhomes to enjoy activities – golf, tennis, the lake, and skiing – without the need to maintain the property. They also were incented to purchase by some favorable tax treatment, such as double declining depreciation. Virtually all owners were in the rental pool which required compliance to IRS rules of usage, but also made the property attractive to build equity in a vacation home investment. The rental income offset maintenance fees and capital expenditures. Owners enjoyed professional management for administration and maintenance and on-site security. Rules were established for the benefit of owners and guests.

President Madsen stated that Ruttger’s Sugar Hills environment is essentially the same as it was in the 70’s while our needs have changed.

#### What has changed?

QMTA demographics have changed greatly over the years – perhaps due to the fact we no longer have a strong lodge. The mix now includes a very few rental properties, time shares, seasonal residents, full-time residents, etc.

#### Why Upgrade the Legal Documents?

President Madsen stated it has been a challenging and difficult year for the Board in dealing with the fire in building 8, special assessments for renovation, collections, insurance issues and legal definitions. Everything is made more difficult because our legal documents may not support the Association needs, nor do they conform to state law (the Minnesota Condominium Act). Our attorney has recommended the legal documents be upgraded. The Board has approved a project to proceed with legal document changes. A plan with costs, timetable, and requirements will be established before proceeding. Omega and our attorney have provided input.

There was a request by the membership for copies of our current legal documents. Director Beisner suggested that any member needing a copy should contact him – he will provide a copy if the member provides a check for copying and mailing.

### **D. QMTA Reserve Fund**

The Reserve Fund of \$100,000 was established in the late 1970s or early 1980s. With the aging of our facilities, the Board is evaluating alternatives to use these funds for renovation/repairs of common property improvements.

#### Benefits of Common Property Restoration Program

- Improved owner enjoyment of property and facilities
- Improved property values

#### Past Use of Funds

The \$100,000 principal has remained intact. Only the income earned on the Fund has been used. Income in the

early years was substantial. Today, with the current economic conditions it is minimal.

Income funds have been used per the various Boards' direction and include:

- Re-roofing buildings
- Painting/staining townhouses and outbuildings
- Grounds repair/replacement
- Paving drives/parking lots

#### Legal Requirements

The legal documents appear to support the repair/restoration of common properties and improvements, pools, tennis courts, outbuildings, etc. There is also justification for the townhouse building maintenance assuming funds are available on an equitable basis which currently is not the case.

#### Recommendations/Planning

We need to develop a plan for each area, documenting requirements of all common facilities. The plan should prioritize items to do in the short term (examples: new pool furniture; sidewalks – building 2; retaining wall – building 3, etc. The plan should also cover projected needs over time with appropriate funding established.

#### Funding

There doesn't appear to be any restriction on the Board to use the current \$100,000 fund as long as it is used for long term maintenance/restoration.

#### Owner Involvement

President Madsen asked owners to participate in the process, not just a particular area. Owner Norell suggested the Board keep a substantial reserve, perhaps \$75,000, for emergencies and plan new funds to build up the reserve to do necessary things.

### X. Other New Business

Heater/Air Conditioning Units – It was suggested that owners consider replacing their units since new ones provide greater efficiency and safety features. In response to member questions on the best replacement units, members were directed to the web site [www.lodgemart.com](http://www.lodgemart.com). Amana and Carrier were recommended.

#### Sewer Flow Meters

Director Traut stated that meters had been put in to measure sewer flow. The daily average from August 2008 to now is 35 gallons per unit. Measuring sewer flow will continue.

#### Annual Meeting Date

A suggestion was made to change the date of the Annual Meeting to the first weekend in June rather than May. Subsequent review of the legal documents indicates the meeting can be held the first weekend in June.

#### Other items

- There was some discussion on the dock. The Board is looking into a new dock idea. It is recommended that owners using the dock on an extended basis remove boats on weekends/holidays so all owners can enjoy the facility for fishing and temporary docking.
- There was discussion on market values of townhouses in the recent property tax statements.
- There was a request to review waste management, particularly near the recreation building.
- Member Bauerly extended an invitation to all QMTA members at the chalet following the July 4<sup>th</sup> celebration
- A suggestion was made to change the picnic time to 1:00 p.m. That suggestion was agreed to by all present.

The meeting was adjourned at 11:45.

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Joanne Madsen, Secretary