

QUADNA MOUNTAIN TOWNHOUSE ASSOCIATION
MINUTES OF
ANNUAL MEETING
JUNE 4, 2011

- I. The meeting was called to order by President Bob Madsen at approximately 10:30 a.m. The official sign-in list will be attached to the master copy of these minutes. Owners present or represented by proxy constituted a quorum.

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. There were no corrections or additions. Joan Schultz moved to approve the 2010 annual meeting minutes. Dianne Corcoran seconded the motion. The motion carried.

III. Treasurer's Report

Treasurer Joanne Madsen presented the financial report. Joanne stated that she would highlight the 2010 financial results and the 2011 budget; then outline the expected financial impact in 2011 of two failed timeshare units; and finally introduce some reserve fund issues.

Financial Results and 2011 Budget

- The Year Over Year Analysis shows that the trend for the past 3 years has been for increasing expenses and, therefore, a need to increase monthly assessments. Our budget plan for 2011 indicates we have finally turned a corner so that expected income exceeds expected expense with a reasonable cushion to meet unexpected expenses.
- The expense breakdown was presented with maintenance cost being the largest portion of the expenses at 44%; 25% for utilities; 21% for tax and insurance and 10% for administration.
- Financial results in 2010 show that revenue from the Villas continued to decrease; sewer charges were removed from Association expense in the 4th quarter; delinquencies on two units remained high; and we were cash strapped all year.
- When budget planning was done for 2011, it was determined there would be NO need for monthly assessment increases. Review of budget to actual for the first four months also confirms there is no need for increases this year.

Actual to budget plans for first four months of 2011

Joanne stated that she did some review of actual to budget plans for the first four months and also tried to examine the financial impact of things we know now that were unknown late last year when the budget was put together and approved by the Board.

- Looking at budget plans to actual for Payroll costs reveals that actual results are somewhat different than expected. There was a plan to reduce maintenance staffing for the first 3 months. This was not done because of extreme winter conditions requiring more on-site manpower than expected. Dave Ingwell is retiring as of October 31 – this will result in 2 months reduction in Payroll and related expenses. Longer term, the potential impact relative to staffing or outsourcing will be reflected in the 2012 budget.
- Secretarial duties will have to be outsourced with additional Association costs. Bridget Zimmerman has agreed to assist as she is able.

Financial Impact of Two Failed Timeshare Units

- An unfavorable variance to the budget in legal fees is expected due to legal actions taken on unit 315 for unpaid Association fees by the State of Minnesota. Based on legal counsel, the QMTA Board has elected to put a lien on the property. Costs of legal action were not anticipated in the 2011 budget. We understand the Sheriff's Sale will take place sometime in August. We hope to recoup approximately \$2600 in past dues when the property is sold.

- Joanne also stated unit 316 is another failed timeshare association. For the past several years, 7 owners have been paying our Association dues and other expenses on the property. They have now decided to abandon the property. We have sought legal counsel to learn what needs to be done so that QMTA can own and sell the property. An important fact we learned is that our current documents do not support joint and several liability of owners for assessments. Joanne stated that if the new legal documents were approved today, then QMTA has a path to follow to get ownership of the property. Assuming that the new legal documents are approved, legal costs will be quite a lot higher than was thought when the budget was put together. The good news is that when the property belongs to QMTA and is resold, the Association should expect to get back far more than the legal cost to clear the title.

- Joanne stated her expectation on the timeline to clear the title is six months to one year.

Reserve Fund Issues

History

Joanne provided some history of our Reserve Fund. Our current legal documents do not require reserves for common properties or townhouse maintenance. They do allow the Board to do Special Assessments as needed.

In 1990, the Board recognized a problem with one of our two liftstations. A resolution was reached with Hill City for a 50% cost sharing with QMTA's 50% equaling \$29,000. The Association Board decided a Special Assessment was needed and that a sufficient reserve should be established for other capital needs, including reserves for common property and some building related capital expenditures (staining, roof replacement and deck replacement). Wayne Ford, the property manager of the time, set up a Reserve Schedule. Special assessments were levied in 1991, 1992 and 1993 totaling about \$41,000 each year. Our \$100,000 reserve principal was established. Joanne stated her recollection was that Bob and Joanne paid special assessments over that 3 year period of \$350 each year. There are a few other owners who still own their units that participated in the special assessment. These include Roy Johnson, Tom Dwight, Ted Treat, Vryl Norby, John Jourdan, Gordy Stutzman, and John Jakway.

Beginning in 1994, the Reserve Schedule shows an expected Annual Contribution of \$20,350. However, the 1994 Board and subsequent Boards did not levy any special assessments for common property or building related capital expenditures.

Use of Reserve Income

Joanne stated that through the years, the time value of the \$100,000 reserve investment has served us very well for our capital needs. Income has been used to replace the roofs of every building one time, decks have been replaced, equipment such as a truck (\$16,000) and mowers (\$10,000 for riding mower) have been purchased; paving of parking areas were done among other things.

Preservation of Principal through 2010

At year end 2010, we still had the original principal of \$100,000. Last month, however, the Board approved use of \$11,000 from that reserve for sidewalk work on Buildings 9 and 10. More will be needed for replacement of sidewalks and retaining walls on Building 3 when the construction is done.

Reserve Summary

The Board will be reviewing requirements for common property maintenance and renovation and long-term building requirements. There will be some cost to having a professional come in and set up a reserve schedule again.

Joanne was asked to provide information demonstrating the time value of money in setting up reserves. She responded with some examples:

- 1) If the annual contribution of \$20,350 called for in the Reserve Schedule had been collected and invested from 1994 through 2011 (17 years) at an average interest rate of 3%, we would have added \$442,848 to our reserve; at an average interest rate of 4% - \$482,244; and at 5% - \$525,851.
- 2) If an annual contribution of \$250 is collected from each of the 93 units beginning in 2011 for the next 30 years at an average interest rate of 3%, we will have added \$1,206,128 to our reserve; at an

average interest rate of 4% - \$1,303,974; and at 5% - \$1,544,703.

Dick LeSavage made a motion to approve the Treasurer's Report. Larry Johnson seconded it. The motion was carried.

IV. Excess Funds

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

RESOLVED, that any amounts collected by or paid to the Association in excess of operating expenses for the year ended December 31, 2010, 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. Legal

President Madsen introduced Dave Stendal, Omega Management, who gave a brief presentation of the new Amended and Restated Declaration that was previously approved and the proposed Amended and Restated Articles of Incorporation and proposed Amended and Restated Bylaws of Quadna Mountain Townhouse Association that needed to be voted on today. Ballots were collected and counted with results provided later in the meeting. Of the 38 members voting either at the meeting or by proxy, 37 votes FOR the Amended Bylaws and 37 votes FOR the Amended Articles were tallied. President Madsen announced that the new legal documents were fully approved pending recording at the Aitken County courthouse.

VI. Board Elections

President Madsen thanked the outgoing directors – Nancy Deaton, Milt Dupre, and Kelsey Gustafson. He stated that while Milt Dupre had resigned from the Board effective June 4, 2011, he would continue to work in an advisory position for renovation of the remaining 5 buildings.

President Madsen discussed two nominees who had agreed to run for the Board: Terry Harmston and Tom Olson. He called for nominations from the floor before closing nominations. Gail Henry was nominated from the floor by Colleen Richards. A motion was made (Dick LeSavage), seconded (Larry Johnson) and passed for a vote of acclamation of the three nominees.

VII. Maintenance Report

The maintenance report was provided by Vice President Dupre:

Maintenance highlights:

- Joel Richards will be taking over the supervision of maintenance staff.
- Several dock sections were rebuilt.
- A new propane tank was put in for the new pool.
- Dead trees were removed. Other trees near Building 3 that are interfering with the sidewalk and retaining wall renovation will also be removed.
- Painting was done by maintenance staff on wood bins, electrical outlets, unit number boards, and benches.

New Items:

- According to the state inspector, a gap valve must be put in the softener room to prevent sewer from backing up in water softener.
- The concrete water diverter by Buildings 1 and 2 has to be replaced or repaired.
- New pressure tanks are needed.

- Grinding of stumps is planned.
- Bids are being obtained to reshingle the linen building and put a new garage door on it.
- Bids are being obtained to resurface the tennis courts.

President Madsen stated the Association will try to schedule flushing water lines in response to Member Mark Warnert's comments on water system/softener maintenance requirements. Mark Warnert also volunteered to add class 5 gravel on the trail to the pier.

VIII. **Building Restoration**

A building restoration report was provided by Vice President Dupre:

- Building 3 renovation will start June 5, 2011 and is expected to be complete by the end of the month.
- Issues with buildings 6, 9 and 10 must be brought to the Board so final payments to the contractor can be finalized.
- Building 7 is scheduled for renovation in the fall of 2011. Collection issues with one unit have been turned over to our legal counsel.
- Costs to renovate Building 11 are being obtained.
- Woodshed, dumpster surrounds and the linen building will be painted by staff as time permits.

Julie and Lester Lepisto (unit 310) had questions and comments regarding water problems with footings and deck. Vice President Dupre stated these will probably be replaced in Building 2. He also stated he would propose to the newly appointed Board to put up some temporary, inexpensive gutters.

IX. **Plans Going Forward**

President Madsen stated the primary focus on management of QMTA going forward will be driven by the new legal documents and defined requirements. Major areas are:

- Administrative management for common property improvements and building renovation need to be defined and funded.
- Maintenance, including the Maintenance Service Policy and implementation planning (in-house, contract out, some combination). He commented that one recommendation could be one full-time maintenance person supplemented with part-time staff (could be owners).

President Madsen stated that Section 6 of the Bylaws outlines the QMTA Board responsibilities. He also discussed the Opportunities for Involvement Sheet (Green Handout) which outlines areas where homeowners can help and encouraged the audience to complete and send to us.

Priorities were identified as follows:

1. Legal documents – filing/implementation
2. Administrative Secretary – Put in place
3. Maintenance
 - Staffing (Replacement of Dave Ingwell)
 - Management
 - Outsourcing Requirements
 - Joint Participation with Villas
 - Implement Maintenance Service Policy
4. Renovation – Buildings 7, 11, 1 and 2 Management
 - Specifications, bids, contract, project plan and project manager
 - Owner Assessments
5. Owner Participation – Establish Committees
6. Administrative Management
 - Support Board activities per legal documents
 - Special Projects
 - Legal and Collections
7. Common Property Improvements
 - Overall Plan
 - Maintenance and Renovation Requirements
 - Reserve Fund and Operating Expense Plan

8. Buildings – Reserve Plan Long-Term

In summary, President Madsen stated owner's help and participation is key to our success.

X. **Other Old Business** –

President Madsen stated we are working with Hellmuth & Johnson law firm on important collections issues. This is a major law firm with specialists in condominium law and experienced in MCIOA. The firm will work closely with our accounting firm, Omega Management, Inc. The firm has shown good results in recent handling of QMTA issues.

XI. **New Business**

Villas

Initial discussions have been held with all three Villa associations to develop a closer alliance to manage our common requirements. Of primary interest is maintenance, including lawnmowing, snow removal, etc. The Villas would contract with QMTA to do all these services.

Lodge

Changes are being made with Lodge management. President Madsen stated a meeting is planned with Curt Cluff, Partners in Action, to improve relationships and communications. He stated Curt has requested our e-mail list to facilitate this. This is the same list that goes to all owners annually along with annual meeting minutes. Partners in Action own units 309 and 329 and, therefore, will receive our contact list with e-mail addresses. President Madsen stated if you do not want to be included in e-mails regarding activities at Quadra, please use 'Contact Us' on our web site to let us know.

Professional Management

President Madsen stated the Association may be using professional management for some of our requirements in 2011/2012, including maintenance and administrative management.

Joanne Madsen asked that the Association purchase some small flags that could be placed in the parking lots of the buildings when mosquito spraying is done to notify homeowners and pet owners.

Mark Crowl provided a presentation on resort ownership plans for management of the lodge and golf course. Mark has assumed the role of Lodge General Manager. He expressed their wishes to work more closely with owners in the interest of providing an improved resort experience for owners and guests.

XII. **Adjournment**

Leonard Schultz moved for adjournment. Dianne Corcoran seconded. The motion carried.

Bridget Zimmerman, Recording Secretary.