



SPANISH PEAKS OWNERS ASSOCIATION

THE SPANISH PEAKS OWNERS ASSOCIATION ANNUAL MEETING DECEMBER 28, 2012 MINUTES

The annual meeting of the Spanish Peaks Owners Association, Inc. (SPOA) was held on December 28, 2012 at 9:00am in the Big Sky Water & Sewer Conference Room. The following members of the Board of Directors were present: Jim Dolan, Chairman (by phone); Dean Genge, Secretary (by phone); Karen Roberts, Treasurer. Association Management staff representing Alpine Property Management (APM) included: Markus Kirchmayr, Brian Schmidt and Catherine Gilb.

Members in Attendance: Regis and Betsy Haid, Brent Porlier, David Denman, Russel and Kristina Lucas, Bradley and Donna Fretz, Todd and Beth Hoyt, Bob Watson, Casey and Lara Hodson, Bob Vanyo, Nancy Bauchman, Pamela Cersosimo, John Haas, John Dudley, Peter Lee, David Stanford, Chad and Carolyn Jergee, Mike Fernandez, Steven Edwards, Robert and Sandra Sukin, Bill and Walker Jones, Carolyn Oppenheimer, Craig Marmer, Martha Johnson, John and Deborah Edgcomb, Andrew Roberts, Norm and Kristen Plaistowe, Larry and Carol Adelman, Robert Hoeweler, Amy Cholnoky, Micahel and Sheryl Henderson, Ben Bulis, Jamie Daugard, Terry and Laura Becker (by phone), and Mike and Janet Brown (by phone).

Welcome

Mr. Dolan welcomed the members present.

Establish Quorum

All members of the Board of Directors were present establishing a quorum. The Meeting was called to order at 9:05am.

Minutes

Mr. Dolan stated that the agenda included the December 30, 2011 annual meeting minutes. Mr. Dolan asked for a motion to approve the minutes. A motion for approval was made by Mr. Genge and seconded by Ms. Roberts. Mr. Dolan called for discussion and with no discussion the motion to accept the minutes passed unanimously.

President's Report

Mr. Dolan started the president's report by recognizing that the Association is working well, is financially healthy, has improved functions this year and continues to work to build a long-range healthy association.

Mr. Dolan noted that 2012 was a busy year for the SPOA. Monthly meetings were held by the Board all year, with the exception of November, and DRAFT meeting minutes of those meetings were reported and posted within a few days after each meeting. There was a great deal of effort put into increasing communications to homeowners information sent via emails and posted on the website. The Board continues to steadily guide the Association during the continued troubled and uncertain times for the Club at Spanish Peaks and the long-range development of the community. Mr. Dolan reminded the group that the SPOA is a distinct and different organization from the Club at Spanish Peaks or the development company. The SPOA is independent and operates on its own, with its own financials and resources, continuing to provide necessary services to the homeowners.

Many things were accomplished this past year by the Association and the Board to serve the needs and best interests of the membership and to strengthen the Association, particularly its financial status.

The Board actions during the 2012 year included:

1. The creation of the SPOA Advisory Board following last year's annual meeting. The group has been very helpful to the Board in providing input and an additional point of view on discussions and deliberations during the year. On behalf of all involved in the SPOA, Mr. Dolan thanked the advisory members for their participation and looks forward to their continued feedback in the coming year.
2. On the financial front, Karen Roberts as Treasurer of the Association carried out a number of important initiatives this past year. They included:
 - a. Consolidating all SPOA cash deposits to Wells Fargo Bank
 - b. Negotiating reductions in bank fees and charges
 - c. Transferring of accounting services to local Bozeman CPA, Douglas Shanley
 - d. Effectively managing collections and liens for delinquent accounts
 - e. Retaining of Reserve Advisors to conduct an update to the Reserve Study, revised and adjusted the reserve contribution based on the revised study. This revision is important to the long-range health of the association. It is the largest capital expenditure and requires long-term planning to properly address the road and infrastructure of the community.

Mr. Dolan noted that Ms. Roberts will provide greater detail in her treasurer's report and thanked her for her diligence and determination this past year. Her tireless efforts, working on liens, courthouse records and collection agencies assured that the Board and advisory committee members were provided with

timely and accurate reporting on the Association's financials. The decision to ask her to join the board last year was well-timed for the membership.

3. As a result of discussions at last year's meeting, and ongoing input from the advisory board, the SPOA terminated the security function at Spanish Peaks this summer, with large savings to the Association and no discernible change in crime in the community.
4. Homeowner involvement with the Architectural Review Committee (ARC) was enhanced and increased with the appointment of Mr. Norm Plaistowe to the ARC. He has done an excellent job guiding this important community function to preserve and protect the character of the community and the standards for all homeowners.
5. The Board approved new Home and Landscape Modification Guidelines as recommended by the ARC.
6. The SPOA retained Jennifer Farve of Bozeman law firm Moore, O'Connell & Refling as SPOA counsel as the Association navigated lien matters and other legal considerations this past year.
7. The Manager presented and the Board approved bids and contracts for significant road repair, snow removal and noxious weed control.
8. The FY2013 budget and assessments were approved.
9. Indemnification to the ARC and Owner Advisory Board were extended to the same degree as the Board.

The SPOA's financial status is strong and is improved over 2011. There were nine lot sales and seven home sales. Five of the nine lot sales and three of the seven home sales were foreclosures. Cash balances have increased by \$178,934 over last year-end. Accounts payable is \$6,362 and income is ahead of budget. The net income was \$135,989 more than budgeted due to expense reductions in security, snow removal, professional fees, contingency for uncollected assessments, general contingency and reserve expenses. Transfer fee collections were higher than expected.

As reported in the minutes from the last Board meeting, the officers of the SPOA were reelected for 2013.

At the last Board meeting, the SPOA board asked the advisory board members if, based on the experience of the past year, they would like to make any changes in how the advisory board functioned or communication occurred. Mr. Dolan called on members of the advisory board present to contribute any comments they might have regarding their involvement over the past year. Mr. John Dudley reported that he has been impressed by the Board's inclusion and feels that the advisory members have been well heard. Mr. Tom Nolan added that meetings have been thorough, especially in regards to budgetary and

management issues. Mr. Dolan thanked the advisory members on behalf of the Board members and echoed Mr. Nolan's positive comments regarding the management.

Manager's Report

Mr. Dolan stated that the contract with Alpine Property Management (APM) had been extended for another year and asked Mr. Kirchmayr for the Manager's Report.

Mr. Kirchmayr reported that routine inspections were conducted on a weekly to daily basis and that when issues requiring attention were found, they were reported back to board who quickly approved proceeding with recommendations to resolve those issues.

Weed control was done by an outside vendor contracted by APM and will be inspected again in the spring. Trail maintenance was completed on all trails and the trails will be inspected again this spring. During this past fall, landscape maintenance was conducted to clean up the gatehouse and main entry. Spraying for spruce bud worm and pinebeetle was not necessary anywhere in Big Sky this year and therefore was not done at savings to the Association. According to Northwest Management, no specific forestry management was needed in 2012 and the situation will be reassessed in the spring.

Road maintenance was conducted and chip sealing was completed on seven roads for a total of 54,000 square yards of chip sealing. Crack sealing was also done on the entire complex. Two sections of asphalt were repaired and a section of road damaged during construction of a home was repaired by that homeowner. A drainage ditch was installed on the side of the road at the intersection of Settlement Trail and Nighthawk Fork. Fog sealing the roads will be considered in the future for better overall appearance and functionality after chip sealing is completed. Any cracks that appear over the winter will be crack sealed before chip sealing is conducted next summer. Options will also be considered to repair the upper portion of Ousel Falls Road, which is suffering from some erosion.

K7 Snow Removal was awarded the snow removal contract at the direction of the Board. The company gained familiarity with the development this past winter, which will allow them to continue to improve the service they offer. At their expense, they repaired all fences downed during last winter's snow removal season.

A fire fill site on Crown Butte Road was repaired. Three stone pillars were repaired. The logs of the main entrance and all sign posts were stained and the entry way lights were repaired. Christmas wreaths were hung at the entryway.

The ARC has continued its work to maintain the aesthetics and continuity of the Spanish Peaks community and to guide homeowners in the application of the Architectural Guidelines as mandated in the CC&Rs. The committee is very responsive to the needs of homeowners. SPOA member and homeowner Norm Plaistowe's appointment to the committee has been a welcome addition to the existing committee.

Five projects have completed the review process in 2012. Eight projects are under construction and four projects are close to completion. Four other projects have been completed and received certificates of compliance.

In light of the continued maturation of the community, the committee reviewed the design guidelines and recommended to the Board modified guidelines which address additions, renovations or landscape additions that occur after a letter of compliance has been issued following the completion of the initial construction of a home. These documents were approved by the Board and are available on the SPOA website at <www.spoassn.org>.

Alpine Property Management continues to coordinate the administrative side of the committee's work. To inquire about the status of your project or to apply for the review of any construction, remodeling or landscaping, please contact Brian Schmidt at Alpine Property Management by calling (406) 209-2837 or emailing brian@apmbigsky.com.

Treasurer's Report

Ms. Roberts reported that the Balance Sheet reflects that cash balances are up \$178,934 from last year. This increase is primarily due to the elimination of the security service and an increase in transfer fees. Road repairs were also less than budgeted. Together, these savings put the association in a very good cash position and accounts payable are in a very reasonable place as well.

Ms. Roberts reviewed the additional schedules showing the transfer fee and road reserves. She noted that there is \$718,000 in reserves and that the full results of the reserve update are on the webpage.

The income statement shows the income as slightly over budget and expenses under budget. Ms. Roberts reported that the reduced snow removal and security costs both contributed to this savings. Professional fees are under budget by roughly \$13,000 and the general contingency fund was fortunately not needed. Reserve expenses are also under budget by nearly \$68,000.

The contingency for uncollected assessments is over budget by approximately \$43,000. This situation reflects 14 chronically delinquent accounts which, with the exception of

the accounts relating to properties that have been foreclosed,, have all been sent to collections. Some of these accounts will not likely be collected as in cases where the property owners are not paying taxes, etc., but hopefully the properties will be sold to responsible owners in the near future. The Board has used various means at its disposal, such as levying late fees and finance charges, to collect assessments. Liens were also placed on properties, but unfortunately these have little impact until the property is sold. A collection agency has also been employed, and while they do take a percentage of the collections, recovery of a portion of the assessments is better than nothing. There are two other possibilities that have been considered by the Board: one, is to sue on behalf of the association, but this is rarely effective. The second is that Montana law allows HOAs to foreclose on properties. This has been successful in other states and may be a possible future action taken under certain circumstances.

Ms. Roberts also clarified that the variance shown under reserve expenses was because the cost of chip sealing came in under budget. The depreciation expense for the year was over budget due to a change in how the depreciation expense is calculated. The trails are now being depreciated over a shorter period of time.

Ms. Roberts reviewed the schedules showing the amount paid for road repairs and to whom it was paid, as well as the contingency for uncollected assessments. She noted that this second schedule details the bad debt that has been written off either because the property was foreclosed or because the debt has been sent to collections.

The 2013 budget was approved at the September Board meeting. Reserve funding has been increased to reflect the recommendations of the updated road reserve study. The contingency for uncollected assessments has also gone up. The association must keep billing assessments until responsible owners come into possession of the delinquent properties, and if an account is sent to collections, the amount must be written off. The general contingency fund was also increased from \$57,500 to \$68,900. With these costs in mind, as well as the possibility of costs such as security that the association may be asked to bear in the case of a new developer, the Board has determined that the assessments will be kept at the same level in 2013 as they were in 2012. Ms. Roberts closed with noting that there is roughly \$242,000 in road repairs that were not scheduled for 2012 that will be completed in 2013.

Questions from Membership

After the Treasurer's Report, Mr. Dolan opened the meeting to questions from members.

Q: What kind of insurance does the Association carry and is the Association adequately insured?

A: The Association carries the following policies: Director & Officer, General Liability, and Umbrella policy. The policies were increased this year to more adequately cover the Association.

Q: Has there been any interplay between the trustee and the SPOA?

A: When the Club at Spanish Peaks bankruptcy was first declared, the original trustee contacted the SPOA with some general questions, but there has been no contact since that point in time. The SPOA communicated with the existing trustee regarding some issues with the gatehouse but generally speaking, the Association has not been an aspect of the trustee's concern.

Q: Could the Board provide a summary of the revisions suggested to the reserve study?

A: The status of all roads was reviewed and Reserve Advisors reported that the roads are in good to excellent shape. There are no major issues with construction. There is some minor edge deterioration and that is being monitored and recommendations will be made in the spring. The guardrails were added to the reserve as well as the retaining wall near the intersection of Bitterbrush and Mountain Valley Trail. These two items were not included in the original reserve study. Given that the roads are the biggest expense to an owners association, the study reported well on SPOA assets.

Q: Does the Association bear any responsibility to maintain Water & Sewer infrastructure?

A: Big Sky Water & Sewer (BSWS) manages the sewer infrastructure and the Association bears no responsibility. The water and associated infrastructure are owned by the Club at Spanish Peaks, LLC, and is managed under contract by BSWS. The usage fees paid by each Spanish Peaks homeowner pays for the maintenance of the water infrastructure.

Q: Does the landscape budget include the removal of any dead or diseased trees?

A: The budget line item for landscaping is to beautify the entry way and the area around the clubhouse. The cost of tree removal would be under forestry management.

Q: If and when the club comes out of bankruptcy and new lots are sold, will those lots be part of the SPOA?

A: Understanding that the CC&Rs govern the SPOA and that those CC&Rs require the lot to be a part of the SPOA, yes those lots will be part of the SPOA. What will be in question is whether there is a club and whether those lots will be a part of it. The SPOA goes forward irrespective of what happens to the Club.

Q: Would the board consider hiring a lawyer to demystify what is owned by the SPOA and what is owned by the Club or one of the other bankrupt entities?

A: As noted in the President's report and the Treasurer's report, local counsel has been hired to assist the board with ensuring that they are well advised on any matters of concern to the Association. The board will consider the suggestion in future meetings should the need arise. Currently, the board is not aware of any exposure to the SPOA.

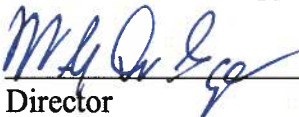
Q: Could Mr. Dolan give an update of his perspective, involvement and expectation of the interplay between the SPOA and other entities going forward?

A: Mr. Dolan stated that his role in serving on the board of the SPOA in the past year has been to guide the community, provide background knowledge and to help clarify matters. No known issue conflicts with his dispatching that role.

Adjournment

With no further business, the meeting was adjourned at 10:04am.

The minutes were approved by the Board on this date:



Director

February 11, 2013
Date