

MEETING MINUTES

Annual Meeting of the Mountain River East Condominium Association

Saturday May 26th 2007
At Thornton Central School
Route 175
Thornton, NH

The meeting was called to order at 9:25 AM by President David Abjornson. Also present were Directors Bob Hatcher, Tim Duggan, Steve Murphy, and Gerry Perry. A sign-in sheet was used to verify that 21 units were represented with 36 owners in attendance along with Walter & Mary Ellen Bourque from the Management Company.

Mr. Abjornson welcomed everyone with opening remarks. At 9:30 a motion to approve the Minutes of the September 2006 Poolside Meeting passed unanimously.

Mr. Murphy presented a report on the recent change in Management Companies from Real Estate Coordinators (REC) to Bourque Property Management (BPM). His report included a description of the process used to develop the Request for Proposal (RFP) and the process used to evaluate the responses to the RFP. BPM was selected from the responses received as the best value overall for the association. Mr. Murphy and Mr. Perry negotiated a contract with BPM to provide reliable, efficient, and cost effective service for the next 3 years at a cost increase of less than 10%. Walter and Mary Ellen Bourque received a round of applause for the outstanding job they have done maintaining the property. Mr. Murphy invited any owner interested in learning more about the management company transition to contact him directly to review the selection process in greater detail.

Mr. Perry presented a financial update including a description of the discrepancy in the association fees agreed to at the Labor Day Poolside meeting. This discrepancy was the result of a miscommunication between the MRE board and Joe Saad at REC. The new fees had been calculated by the MRE board so as to increase association revenues at the rate of \$20,000 per year. In order to avoid a retroactive increase, Mr. Perry informed REC that the increase should go into effect for the second half of the year. REC apparently interpreted this to mean that the rate increase itself should only be half of what was agreed to. This resulted in the rate increasing by half of what was agreed to for the second half of last fiscal year. Rather than raising an additional \$10,000 for the second half of the fiscal year, the actual rate increase resulted in an additional \$5,000.

Mr. Perry also detailed a transaction that occurred whereby REC moved \$23,300 from reserve to operating without getting prior Board approval. The transaction ultimately proved to be in the best interest of the association, but doing so without consulting the Board was a point of contention between the Board and Mr. Saad at REC. Mr. Perry emphasized that under the terms of the current contract with BPM, no such transfer of funds over \$1500 can be made without prior Board approval.

Mr. Perry reviewed the 2006/2007 Financial Statement noting the transfers from reserve necessary to fund the painting and repair of the pool along with the unanticipated painting of

additional buildings last year.

Mr. Perry described the proposed new quarterly fees in the context of the 2007/2008 budget. Mr. Perry described the 2007/2008 budget noting the \$20,000 to be earmarked for a painting reserve fund. This fund is anticipated to grow for the next 2 years before it is used to begin the next painting cycle. The intent of the fee increase agreed to in September 2006 is to fund all painting operationally rather than from the general reserve. There will be some ongoing painting of trim and any exposed wood; however this is expected to be a relatively small effort performed on an "as needed" basis.

At 9:40 a motion to accept both the 2007/2008 budget and association fee structure was presented. Questions followed. Owner Henry Saccoccia asked about the \$11,744.86 variance in Repairs & Maintenance in the 2006/2007 Financial Statement. Mr. Bourque assured the members that these funds were used to cover the painting and repair of the pool as well as the additional buildings painted.

Owner Norm Vadenais described the calculations he performed based on his quarterly bill and indicated that the rate increase resulted in additional \$10,000 revenue as opposed to the additional \$5,000 described by Mr. Perry. Mr. Perry and Mr. Vadenais agreed to work the numbers again together and report back if any discrepancy is found. Owner Tom Howe asked if we have a detailed payment schedule of all owners' payments for the past fiscal year. Mr. Perry responded that we do not and that he would try again to get this information from REC.

Owner Joseph Monagle asked if we had considered performing an independent audit of the association finances. Mr. Perry responded that Owner Tom Faulkner spent a day at REC 2 years ago going over the financial records and found everything to be in order at that time. Since the transfer from REC to BPM, Mr. Perry has been conducting an informal audit of the records transferred by REC. Mr. Perry has found everything to be in order and does not believe that allocating additional funds to hire an independent auditor would be in the best interest of the association.

Owner Dan Farmer asked about the status of any delinquencies. Mr. Perry responded that there were 2 delinquencies recently that resulted in Lien letters to the owners. One owner paid in full immediately and the other made a partial payment. The board has instructed BPM to take similar Lien action whenever any account becomes more than 90 days overdue.

Owner Bernie Ferrante asked about the water income line item on the budget and a short discussion followed detailing the agreement: the association receives approximately \$1100 annually under the agreement with REC which will be in effect for another 7 years. Additionally, as part of the original agreement, REC agreed to construct Walter's garage at no cost to the association. Mr. Vadenais asserted his belief that this arrangement is in the best interest of the association. During the discussion a discrepancy in the proposed budget line items was discovered. The budget was amended to read:

Water Income: \$1075.00
Late Fees/Misc Income: \$474.00
Interest: \$80

Mr. Farmer asked about the stability of the cable rate. Mr. Duggan responded that the Board is planning to approach TimeWarner cable about the potential for lowering the bulk cable rate. The rationale behind this is that the bulk rate has risen to within \$10 per month of the standard subscriber rate. If this trend continues, the benefits of bulk rate cable will disappear and the association will be left with the burden of purchasing cable for each unit, whether the unit owner

wants it or not.

Owner Russ Chernin stated that he had requested that REC challenge the cable license last fall after a prolonged series of outages. He does not believe that REC followed through with this challenge. Mr. Duggan asked Mr. Chernin to forward any information about the challenge to him for use in his discussions with TimeWarner.

A vote was taken at 10:06 AM. The proposed budget and fee structure were accepted unanimously.

Mr. Vadenais provided an update on the forestry program beginning with a display of the map of the grounds and a description of the "Orange" trail with photos of some of the areas along that route. Mr. Vadenais reported that our forester, Brenda Brown, closed her forestry services company and left the state to take a position with the US Forest Service. Before leaving, she transferred our records to Bruce McAndish, a forester working out of Bradford NH. Mr. Vadenais spoke to the State Division of Forests and Lands and verified that Mr. McAndish has a good reputation as a forester. Mr. Vadenais met with Mr. McAndish and they walked the Orange trail together to verify and update Ms. Brown's timber inventory assessment. According to Mr. McAndish, we are 4 to 5 years away from having sufficient growth to warrant a timber cut depending on market conditions at that time. The current market is down 40% from recent highs and Mr. McAndish is recommending that his clients delay any cutting until the market recovers. Mr. McAndish also offered to conduct a more thorough walkthrough of the entire property with the Board of Directors later this summer and Mr. Vadenais will schedule and coordinate that event. Mr. Vadenais reported that the estimated revenue from a timber cut in a good market is approximately \$190,000 but emphasized that we are 4-5 years away from having sufficient growth to do so.

Mr. Vadenais received a letter from the US Forest Service regarding FLEP (Forestland Enhancement Program). Under this program, the association can apply for a government grants to improve the roads, rebuild the berms, and reseed to prevent erosion. Typical grants pay 2/3 to 3/4 of the cost of this work. Mr. McAndish estimates that this could be done for the 1.5 mile Orange trail at a total cost of \$4,000. He expects that \$3,000 would be covered by a FLEP grant and the other \$1,000 would be paid by the association. Mr. Vadenais will submit an application for a FLEP grant and will report back to the Board when he receives a response. Mr. McAndish also suggested that the association plan to set aside 5% of the revenues from the next timber cut in a "timber reserve". This reserve would be dedicated to funding improvements to the forestland and would provide the Board with the flexibility to allocate funds for FLEP grants as they become available.

Mr. Vadenais also discussed the potential tax benefits of reclassifying the association's forestland. Mr. Perry reported that the Board had investigated this option and had engaged an attorney from McCormack Law to get a preliminary estimate of both the feasibility of reclassification and of the tax benefits available. The response from Attorney McCormick indicated that the reclassification attempt was more than 90% likely to fail and would probably evolve into a costly legal proceeding. The Board has therefore concluded that pursuing a reclassification is not in the best interests of the association.

Mr. Faulkner requested a copy of the association property map. Mr. Vadenais brought 50 copies of the map and made them available at the back of the room. An owner thanked Mr. Vadenais for all of his efforts in marking the trails and managing the forestland.

At 10:24 a motion to allow Mr. Vadenais to hire Mr. McAndish as the association's forester passed unanimously.

Mr. Duggan discussed the issue of owner modifications to the building exteriors with respect to

window, slider, door, storm door, and skylight replacements. In some cases, these modifications have been performed with components that are not identical replacements for the originals. This is becoming more commonplace due to the age of the buildings, ambiguities in the association guidelines as to responsibility for replacement of doors and windows (owner vs. association), the unavailability of identical replacements, and the lack of specification for what is an acceptable replacement for each of these items. The Board will approach this problem by first sending a letter to all owners informing them that they must inform the Board before replacing any exterior doors, sliders, windows, and/or skylights. The Board will evaluate the proposed modification with respect to manufacturer and model as well as the contractor performing the work. Second, the Board will develop a list of specifications for replacements that may or may not include specific brands and models that are acceptable.

Mr. Vadenais commented that the Board does not need to create new rules but should enforce the existing rules. Mr. Duggan agreed that it is primarily an enforcement issue but that the Board has an obligation to clarify the guidelines and to provide specifications for replacements. Mr. Vadenais asked that paint color be included in the specifications and Mr. Duggan agreed that paint color will be considered. Edith O'Loughlin from unit 45 inquired about warranty documentation on slider replacements done last year by REC and Mr. Perry responded that he expected to find such documents in the 2 boxes being delivered from REC next week. Joe Burchill commented that he was proceeding with a skylight replacement. He had contracted with REC to replace his skylight last year along with several other owners. In Mr Burchill's case, REC mistakenly replaced the skylight in the unit next to his. Mr. Burchill stated that his skylight is leaking and he is concerned about water damage in his unit. Mr. Bourque commented that Mr. Burchill is replacing his skylight with a Velux model 306 that is identical to the replacement units installed by REC last year and the Board verbally approved the replacement.

At 10:40, Mr. Perry began the process of nominating and electing new Directors by acknowledging Mr. Murphy's contributions over the past 3 years. It was Mr. Murphy who developed the RFP for management companies, evaluated the responses, and negotiated the new management company contract. Mr. Hatcher expressed an interest in remaining on the Board for another term and Mr. Howe expressed an interest in serving on the Board. There were no other candidates for nomination and at 10:42 Mr. Hatcher and Mr. Howe were unanimously elected to the board for 3 year terms.

The Open Forum began at 10:43.

Mr. Monagle recommended the work of Pemi Valley Painting to any owner interested in interior painting. Mr. Bourque recognized the efforts of Joe Saad and Denise Parker from REC in handling the management company transition. Several owners commented on the lack of Board approved and/or recommended contractors. The board agreed to investigate updating this list but cautioned that any list can become stale over time and that it is difficult to keep up with the comings and goings of local contractors.

At 10:48, a motion to adjourn was accepted unanimously and the meeting was adjourned.

The Board met briefly thereafter and assigned new Director Positions as follows:

President: David Abjornson
Vice President: Tom Howe
Treasurer: Gerry Perry
Secretary: Tim Duggan
Web Site: Bob Hatcher