payment of debts."

In practical application for Pine Mountain Club, a member's "assets" would include items such as the home or property he or she owns, the money held in his or her bank account and all of his or her personal belongings, such as vehicles or furniture. As defined by Miriam-Webster, "assets" of an association such as PMCPOA would include the tangible property encompassed within the association, such as the clubhouse complex, swimming pool, tennis courts, and so on. The assets are those buildings and structures that have an actual monetary value, or the operating fund, which has an actual dollar value. To break it down even further, an example could be as follows: The PMC swimming pool is an asset of the association, whereas the swim lessons and water aerobics classes offered at the pool would be amenities provided by PMCPOA.

How Are Our Amenities Paid For?

As set forth in our CC&Rs, PMCPOA is legally responsible for the continuation of the assets and amenities enjoyed by the membership. Article 6.1, "Purpose of Assessments" states: "The general purpose of assessments is to enable the association to manage, administer, preserve, repair, replace, construct, maintain and improve association property; ..provide for the acquisition of property, services and facilities and to take any action on behalf of the association in furtherance of its purposes." This is primarily accomplished through the budget and the establishment of user fees that members pay to use specific facilities such as the equestrian center, golf course and campground. These fees are updated annually as needed and help offset the costs in maintaining them.

Every time the Board of Directors prepares a budget, there is a balance to be reached between



an adequate level of support and members' anxiety about increased assessments. Directors are pulled in both directions every year and the arguments during the debate are persuasive on both sides. The two positions are something like this: keep assessments as low as possible and if necessary reduce the level of service; or, increase assessments to keep in line with costs and maintain the quality of service members expect. There are members who do not use a particular amenity or service who think the amount of support should be kept very low or reduced, while users of the amenity are concerned about a potential reduction in the quality of service.

In reaching a decision, the Board starts with the PMCPOA mission statement and goals as the driving philosophy. Next, input is received from surveys that support the Strategic Plan and from the Strategic Plan itself. The results yield evidence of member satisfaction (or lack thereof) along with usage and prioritization. Comments at Board meetings, emails received and the historic levels of usage and service are considered. Directors tend to lean toward progress in improvement of assets and services. But, rising costs of labor, goods, and supplies affect and may require the Board to temper the level of service. Further input comes from amenity and service-specific surveys that are conducted from time to time (example: the swimming pool).

In the case of the cafe, though not legally required by the CC&Rs, it is an asset that has become one of the most utilized amenities. Many consider it an essential service that needs to be supported by assessments, although it is unique in that it can generate offsetting revenues at a fairly substantial level. Recently, the Association has committed to maintaining a high quality of service while at the same time running it as efficiently as possible to hold down the amount of required support.

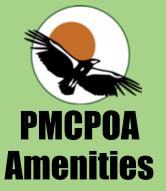


Understanding the Amenities of PMCPOA

Pine Mountain Club Property Owners Association

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As anyone who lives in or has visited Pine Mountain Club knows, there are a variety of amenities offered through the association, ranging from the pool and tennis courts to the Equestrian Center and the cafe and lounge.

But what may not be as clear is who pays for these amenties, and how they came to be here in the first place.

How Did This All Begin?

The foundation that spelled out how Pine Mountain Club Property Owners Association would operate was formed in the early 1970s when the development was in its infancy. The Conditions, Covenants and Restrictions (CC&Rs) were first created in 1971, and then amended in 2011. The CC&Rs specify that PMCPOA is a California nonprofit mutual-benefit corporation consisting of all owners of lots within the Pine Mountain Club boundary lines. It further spells out that all real and personal property within common areas is owned by the association, and that the association must support and maintain that property.

Among the property listed in this description are the buildings and facilities that comprise the assets of the association: the clubhouse and recreation room, swimming pool, picnic and barbecue areas, parks, golf course, equestrian center, campground, trails, tennis courts, the Transfer Site and "any other facilities, recreational or otherwise, owned and maintained or controlled for the common use, benefit and enjoyment of the owners of real property within the development." (To view the complete CC&Rs, please visit the PMCPOA website's Governing Documents page.)

2

What is a NonProfit, Mutual-Benefit Corporation?

PMCPOA was formed as a nonprofit, mutual-benefit corporation because of the tax benefits provided under this type of organization. Although a mutual-benefit nonprofit is not allowed to accept tax-deductible donations the way a public nonprofit (charity) can, it is granted tax-exempt status because the focus is on benefitting its membership rather than earning a profit. In other words, a mutual-benefit nonprofit is a type of nonprofit corporation that works for the betterment of a select group of members, rather than for the benefit of the public at large.

The concept of mutual-benefit organizations is not new. Mutual benefit societies were formed throughout the 19th and early 20th centuries to serve economic needs of immigrant groups coming into the United States. Before the formation of large insurance companies, mutual benefit societies offered some risk protection, and during the Great Depression, they attempted to help their members survive hard times. Fraternal organizations would fall under this category, as would a downtown business district, a teacher's association or a labor union.

Generally, the term "mutual-benefit" refers to a group of people or businesses working toward a common goal. The idea is for the group to pool their





PMCPOA Amenities

money and resources for the greater good, allowing everyone in the group to enjoy the collective assets and amenities.

What is the Difference Between an "Amenity" and an "Asset"?

Although the words "amenity" and "asset" are similar in meaning and closely related, there are subtle differences between them.

Miriam-Webster offers the following definitions of "amenity": "Something that helps to provide comfort, convenience, or enjoyment," such as "hotels with modern amenities" or "providing residents with the basic amenities." It further defines "amenities" as "The attractiveness and value of real estate or of a residential structure" or "a feature conducive to such attractiveness and value."

Translating this to practical application, amenities in Pine Mountain Club are those value-added features that make property ownership and living in PMC more pleasant. Examples could include natural amenities such as the views and scenery, forest trails and remote location, or the attractiveness and curb appeal of a particular home. Examples of amenities offered by PMCPOA could include recreational activities, clubs, committees and services such as snow plowing and the duties performed by PMC Patrol and the Business Office.

The word "asset," on the other hand, is defined by Miriam-Webster as follows: "An item of value owned." The plural definition reads, "Assets: the items on a balance sheet showing the book value of property owned." A third plural definition reads, "The entire property of a person, association, corporation, or estate applicable or subject to the