

GLASTONBURY LANDOWNERS ASSOCIATION, INC.

P.O. Box 1862 • Bozeman, MT 59771 • 406-451-0033 • www.glamontana.org • info@glamontana.org

Impact of Litigation and Insurance Costs Letter to the Membership & Special Meeting Announcement

June 9, 2014

Dear Glastonbury Landowners,

This letter is to let the GLA membership know of recent changes in our liability insurance that directly impact both the Association's finances and ability to fulfill all the obligations as dictated by the Covenants. We also want to share with you the need to make some dramatic changes in how the Association functions in order to address the challenges we now face as a Community.

The GLA board has been sued by Daniel and Valery O'Connell four times over the past three years (DV-2011-114, DV-2011-193, DV-2012-200 and DV-2012-220). Their initial lawsuit was not covered by liability insurance since the suit was instigated while Daniel was a board member. The insurance company chose not to cover the second lawsuit, filed after Daniel was removed from the board. Our liability insurance did cover the third and fourth lawsuits, and is now covering the costs for the ongoing amended complaint of the first lawsuit.

Since these lawsuits began over three years ago, legal fees have amounted to over \$113,000. As a result of these expenses, our insurance carrier has chosen to drop coverage as of June 11, 2014. Two insurance brokers have been working on finding coverage for the past two months, but the GLA has been turned down by numerous other carriers due to these litigation claims.

At this point, only one insurance carrier has offered a quote. This carrier's proposed coverage requires a yearly premium of \$10,170, a \$50,000 deductible **per lawsuit**, and excludes coverage for any lawsuit involving the O'Connells. (Our previous insurance had a \$1,342 premium per year and only a \$1,000 deductible.)

This means that the Association must cover all legal costs and any potential judgment due to any lawsuit brought by the O'Connells. In addition, the Association must pay the first \$50,000 of any lawsuit against the Association or its Board. We have effectively lost our ability to obtain insurance at a reasonable cost well into the future.

The lack of insurance coverage and the potential greater draw on the Association's already tight budget makes it extremely difficult for the Board to allocate resources to meet all its obligations and duties. This creates the potential for the following chain reaction:

1. The inability of the Board to meet obligations places it at greater risk of being sued again.
2. The GLA may not be able to continue to fund and respond appropriately to any future lawsuits.
3. Though board members are indemnified by State law and our Bylaws, any inability of the GLA to pay legal expenses of the Board creates more risk for them and their personal property.

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4. With the probability of ever-increasing assessments and a simultaneous reduction in services such as snow plowing and road maintenance, the value of the Association to its members would decrease.

This situation has brought the Association to a point where it has never been before. We must quickly yet thoughtfully look at how the Association can protect itself from potential financial ruin and continue to survive as a viable community and non-profit corporation, and continue to maintain the standards and services this community values.

The Board sees two directions before us:

1. Increase Available Funds

Increase funds via raising of assessments (perhaps by as much as 50%), imposing a special assessment, collecting past due assessments (a very important but lengthy process with uncertain outcome, based on recent experience), OR

2. Reduce our Legal Liabilities

Reduce legal liabilities by reducing the duties and responsibilities of the Association and thus reducing the number of issues it may be sued over. This approach would reduce potential legal vulnerabilities, and also allow us to keep assessments at a reasonable level.

The board is holding a Special Meeting of the Members on July 21, 2014, 7:00 pm at Emigrant Hall in Emigrant, MT, so that we can explore our options together, with an attorney present to answer questions. As we consider our options, we need to think about what is best for the future of the Glastonbury Community, what is best for the individual landowner and how we can continue to protect property values. We also need to consider how we can limit the liability of the Association so we are not placed in such a position of vulnerability again.

Be assured that the board will make every effort to communicate responsibly and effectively with the landowners and involve you in every step of the process as we move forward in our discussions.

We welcome your ideas, suggestions and questions to the GLA at info@glamontana.org, or in writing by mail.

Sincerely,

GLA Board of Directors