

MONTGOMERY MUTUAL, INC.

BUDGET and FINANCE ADVISORY COMMITTEE

TERMS OF REFERENCE

INTRODUCTION

Under provision of Article V, Section 2 (g) of the Montgomery Mutual, Inc, By-Laws, the Board of Directors has the power to “establish one or more standing Advisory Committees to consider matters of concern to the Board and to report its or their conclusions and recommendations to the Board. Such committees shall function in an advisory capacity only and shall have no authority to act for the Board in the management of the business and affairs of the corporation.”

The Budget and Finance Committee is a standing Advisory Committee created by the Board of Directors of Montgomery Mutual, Inc.

I. PURPOSE

The primary purpose of the Budget and Finance Advisory Committee is to advise and assist the Board of Directors and Management in the management of the financial affairs of the Corporation. The Committee shall function in an advisory capacity only and shall have no authority to act for the Board in the management of the business and affairs of the Corporation except under specific circumstances which have been approved by the Board.

II. FUNCTIONS and RESPONSIBILITIES

As a standing advisory committee, the functions and responsibilities of the Committee are not described in the By-Laws but are specified by the Board of Directors as follows:

1. Review, from time to time, policies and practices with respect to all Montgomery Mutual funded reserves to determine: (a) their adequacy to meet their intended purposes; (b) the scope and pertinence of items charged to specific reserves; (c) the need to establish new reserves or to increase or decrease existing reserves; (d) compliance with Board policies and requirements in the maintenance and use of reserve funds. Make recommendations to the Board for new and/or revised policies with respect to the foregoing.
2. Monitor current practices concerning investment of Montgomery Mutual's funds to determine their compliance with Board policies and procedures and recommend to the Board changes considered desirable to achieve the objective of a safe maximum return on all such investments. Develop a plan for the annual funding of the Corporation's Reserve accounts.
3. Review, periodically, methods used to safeguard all assets of Montgomery Mutual and recommend necessary new and/or revised policies and practices to the Board.
4. Work with Management to develop a draft budget to be presented to the Board with recommendations.
5. Review requests for budget revisions and recommends action to the Board.
6. Review all proposed expenditures, other than those of a routine nature that are already specifically provided for in the approved budget, such as: payments to Management for utilities, personnel, Community Facilities, and certain shared Mutual expenses and recommend action to the Board.
7. Review monthly operating and other financial statements to determine adherence to budgetary limitations and to monitor Montgomery Mutual's general financial progress; consider how surplus funds should be invested; status of delinquent payments by residents and make appropriate reports and recommendations to the Board.

8. Review recommendations from the Property Maintenance Committee for expenditures and recommend actions on them to the Board.
9. Review all bills submitted to Montgomery Mutual for payment (other than those referred to in item 6 above) and recommend action to the Board.
10. Work with Management and the Property Maintenance Committee to assure that a replacement reserve analysis will be conducted every three to five years and that all mechanical and structural components are listed with appropriate useful life and cost of replacement. Assure that proper funding is being allocated to such reserve accounts.
11. Recommend to the Board a firm of CPA's to conduct the annual audit of Montgomery Mutual's accounts. Review annual draft audit with Corporation auditors, and participate in the submission of the draft or revised audit to the Board.
12. Perform other functions as directed or approved by the Board of Directors

III. MANNER OF ORGANIZATION and OPERATION

A. Membership

The Committee shall consist of the Chairperson and Vice Chairperson and seven, but not to exceed 9, other Montgomery Mutual residents who are not in default of any obligations to the Mutual and who are knowledgeable in the area of budgeting and finance.

Upon recommendation of the Chairperson, appointment of Committee members shall be made by the President with the concurrence of the Board of Directors.

At least one member of the Committee shall be a member of the Board of Directors.

Vacancies in the membership shall be filled by appointment made by the President with concurrence of the Board.

Prospective committee members shall attend at least two consecutive committee meetings prior to their appointment to the Committee.

B. Tenure

Once approved by the Board of Directors, the Committee members, Chairperson, and Vice Chairperson will serve terms of three years, ending on December 31, and may be renewed for an additional term with approval by the Board.

Any unexcused absences of Committee members from three consecutive regular meetings shall constitute grounds for removal from the Committee. A member may be removed by the Board on its own volition or upon request of the Chairperson. Resignation from the Committee is to be made in writing to the Chairperson.

C. Chairperson and Vice Chairperson

The President, with concurrence of the Board, shall appoint the Chairman and Vice Chairperson of the Committee.

The person appointed as Chairperson will have served on the Committee for at least one year. The Chairman and Vice Chairperson shall serve at the discretion of the Board.

The Committee may vote to recommend to the Board President the removal of the Chairperson or Vice Chairperson.

Vacancy of the Chairperson created by removal, resignation, or death shall be filled by the Vice Chairperson until an appointment is made by the President, with concurrence of the Board, for the remainder of the term.

Vacancy of the Vice Chairperson created by ascension, removal, resignation, or death shall be filled by a Committee member appointed by the President, with the concurrence of the Board, for the remainder of the term.

Functions of the Chairperson include, but are not limited to, the following:

- Schedules and presides at meetings
- Prepares, in conjunction with the Property Manager, the meeting agendas
- Arranges for minutes of the meetings to be kept and for copies to be distributed to Committee members and members of the Board. Minutes of meetings shall be included in the agenda packet distributed to Board members prior to monthly Board meetings
- Prepares Committee recommendations to the Board
- Attends monthly meetings of the Board and reports to the Board matters to be acted on by the Board, recommendations of the Committee, and other matters related to Montgomery Mutual's financial interests
- Ensures that all Committee and prospective Committee members are familiar with the Committee Terms of Reference.

The Vice Chairperson will assist the Chairperson in the activities of the Committee and will conduct the business of the Committee in the absence of the Chairperson.

D. Secretary

The Secretary shall be responsible for keeping a Committee membership roster, recording minutes of all Committee meetings, names of Committee members attending each meeting and those absent, any Committee recommendations to the Board, and in general, maintaining written documentation of Committee decisions and activities.

E. Conflict of Interest

Any Committee member with a real or perceived personal or financial conflict of interest related to any aspect of the Committee's work should state it and recuse him/her self from discussion, recommendation, decision, or vote related to it. If any member's undisclosed conflict of interest is later determined, he/she will be removed from the Committee.

F. Meetings

1. Regular meetings of the Committee will be held monthly. Special meetings may be called by the Committee Chairman or upon the request of twenty-five percent (25%) of the Committee members.
2. A majority of the Committee membership constitutes a quorum necessary to conduct business. All decisions of the Committee will be based on a majority of those present.
3. The agenda as prepared by the Chairperson shall guide the manner of the meeting.