

February 21, 2013

Mr. Chris Kukulski
City Manager, City of Bozeman
P.O. Box 1230
Bozeman, MT 59771

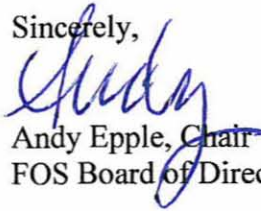
RE: STORY MANSION SALE AGREEMENT

Dear Chris:

As you know, the Friends of the Story Mansion (FOS) has been advised that Exergy Development Corporation will not be providing the donation necessary to purchase the Story Mansion before the established deadline of February 28, 2013. While disappointed that the terms of the current Sale Agreement won't be satisfied, FOS remains enthusiastically committed to advancing the City's vision of completing the renovations of the Mansion and continuing its use as a vibrant community center. To that end, FOS has prepared the attached "Story Mansion Purchase Status and Proposal" for your consideration. In this document, FOS proposes purchasing the property directly from the City over a six year time period, per the terms of a Contract for Deed. Please also find attached a Financial Statement demonstrating FOS's projected income to make \$30,000 annual payments toward purchase of the property.

We look forward to discussing this proposal further with you and the City Commission in the near future. In the meantime, please let me know if you have any questions or need any additional information.

Sincerely,


Andy Epple, Chair
FOS Board of Directors

Gordon Brittan, Vice Chair
Peter Bogy, Treasurer
Kaaren Jacobson, Secretary
Jane Klockman
Jerry Coffey
Elizabeth Darrow
Peggy Beltrone
Mara-Gai Katz

Attachments (2) as noted

Story Mansion Purchase Status and Proposal

February 21, 2013

Current Situation

Exergy Friends of the Story Mansion (Friends of the Story) is under contract with the City of Bozeman, *Agreement to Sell and Purchase Real Estate*, (the Agreement) dated May 31, 2012, to close the sale of the Story Mansion, Carriage House and appurtenant land at 811 Willson Ave, Bozeman, Montana prior to July 1, 2012. Said purchase and close is subject to *Addendum to the Agreement to Sell and Purchase Real Estate*, approved by the City Commission on September 24, 2012; extending the closing date until February 28, 2013.

Friends of the Story (Friends) has been informed that Exergy Development Group, LLC., a Friends major donor, will be unable to tender at this time the anticipated donation. Without this major donation, Friends is unable to fund the agreed \$390,222 balance of the purchase price by, or before, February 28, 2013.

Since negotiating the Agreement, Friends of the Story has energetically moved forward with management, property improvements and maintenance:

• North and South Well testing and upgrade	\$ 1,959	
• Mansion and City Park irrigation system	\$17,750	
• Landscaping of Mansion and City Park	\$25,464	
• Lawn leveling and sodding	\$ 3,831	
• Management, business and event costs, lawn care	\$29,933	
• Repair, Cleanup, Improvements and Equipment	\$ 6,878	
• Carriage House roof insulation	\$15,804	\$101,619
City Reimbursement of improvements/maintenance		<u>\$ 23,670</u>
Total Friends of the Story Mansion 2012 expenditures		\$ 77,949

Friends is highly motivated to continue on the pathway to ownership with the purchase, and proposes to do so with a Contract for Deed instrument by making a payment now, then annually and at six years, or before, satisfying the entire purchase price.

Setting

During early 2011, the City published a "Request for Proposals" and on July 18, 2011 Exergy Development Group, LLC submitted a proposal to purchase the Mansion through a Montana nonprofit corporation Exergy Friends of the Story Mansion. The City Commission adopted Ordinance No. 1821, effective May 23, 2011, authorizing the sale and purchase of the Story Mansion.

Proposal for Going Forward

Although without the cash in hand to fund the Agreement, the Friends believe it has the desire, ability and community support to pay the City \$390,222 over time:

- Contract for Deed, \$15,000 now, \$15,000 with close, \$30,000 annual payment, and full purchase price within 6 years, then title would transfer to the Exergy Friends of the Story Mansion,
- City begins immediately getting cash with interest and during a period of time without the burden of carrying the operating expenses.
- The Friends Board is committed, and has the projected income, to pay \$30,000 per year. (See attached Financial Statement)
- The existing closing with American Land Title Company would continue with modified escrow instructions to accommodate the change in purchase instrument.
- Details of the restoration would be modified to accommodate the new time frame and payment plan.

The Plan presented to the Bozeman City Commission on February 7, 2011 by the Friends would have extended the January, 2011, deadline for recovery of \$392,000 to 2018. The Friends current proposal would achieve the recovery not later than 2019.

Most importantly, consistent with the Commission and Community's original vision, upon close with the Contract for Deed, the Friends of the Story would assume the risk, management and maintenance and begin the restoration process of Bozeman's iconic landmark.

Exergy Friends of the Story Mansion
 2012 Actual (Jan - Dec '12)
 2013 Budget (Jan - Dec '13)
 2/20/2013

QB #	REVENUE	EFSM		EFSM		EFSM	
		2010	2011	2012	2012	2013	2013
		Actual	Actual	Actual	Actual	Budget	Act. YTD
	Non-Production Revenue						
	Individual Membership (new and renewals)				800	12,000	
	Individual Donations				750	5,000	
	Major Gifts				32,800	25,000	
	Board Donations				17,200	5,000	3,000
	Business Donations				50		
	Grants & Foundations					10,000	
	Restricted donations				1,202	2,100	605
	Interest Income				8	24	
	Matching Gifts				1,584	1,000	
	City Park Reimburse (capital improvements)				16,728		2,510
	City Park Reimbursement (lawn care, well use)				805	9,000	3,627
	City Park Reimburse (snow removal)						
	EFSM Event Income (tour donations)				188		
	City Event Rental Income	29,344	14,993	23,855		45,000	
	Miscellaneous Revenue (City R&M, jazz, City)				369		100
	Non-Production Revenue Total	29,344	14,993	23,855	72,484	114,124	9,842
	Fund Raisers Revenue						
	Fund Raiser #1: Ice Sculpture (2013)					3,000	
	Fund Raiser #2: Sweet Pea (concession)				307	600	
	Fund Raiser #3: Victorian Holiday Tea				2,350	3,000	
	Fund Raiser #4: Mansion Clue (2013)					3,000	
	Fund Raiser #5: Title Celebration (2013)						
	Fund Raisers Revenue Total	-	-	-	2,657	9,600	-
	Production Revenue						
	Story Under the Stars (donations)				3,824	10,000	
	Story Under the Stars (concessions)				264	300	
	Program Advertisements						
	Production Revenue Total	-	-	-	4,088	10,300	-
	TOTAL BUDGET REVENUE	\$ 29,344	\$ 14,993	\$ 23,855	\$79,229	\$ 134,024	\$ 9,842

QB #	EXPENSES	2010	2011	2012	2012	2012-2013	2012-2013
		Actual	Actual	Actual	Actual	Budget	Act. YTD
	Administrative Staff						
	Executive Director					-	
	Bookkeeping				2,366	3,000	480
	Benefits Package						
	Administrative Staff Sub-Total	-	-	-	2,366	3,000	480
	Payroll Taxes						
	FICA	-	-	-	147	186	30
	Medicare	-	-	-	33	42	7
	SUTA	-	-	-	2	3	0
	Workman's Compensation	-	-	-	33	42	7
	Payroll Taxes Sub-Total	-	-	-	215	273	44

Administration						
Consultant/Administrator				4,000	20,000	2,000
Property Mgr				9,100	25,200	2,600
Accounting				76	1,000	
Office Space				251	2,100	350
Office Equip. Lease & Maintenance				170	300	
Finance Charges (Credit Card & Bank Charges)				179	180	
Fees and Dues (Sec State & Membership)				140		
Gifts, Awards, & Education					240	
Insurance				328	8,904	
Internet Service	931	1,022	1,020		780	
Postage				281	200	
Supplies and Materials	1,405	786	612	75	650	
Receptions & Hospitality					1,000	
Telephone (inc. alarm)	1,271	1,274	1,302		1,200	
Utilities (electricity)	2,157	1,973	2,508		2,300	
Utilities (natural gas)	5,408	3,999	2,784		2,500	
Utilities (Refuse Disposal)	992	761	752		750	
Utilities (Sewer)	184	216	588		300	
Utilities (inc. water)	375	387	608		400	
Alarm Monitoring/Inspections	440		486		500	
Repairs/Maintenance	1,566	379	18	2,337	750	
Cleaning	430	2,460	2,100			
Lawn Care (fertilization, weed control and cleanup)				1,389	1,400	
Snow Removal	201	-	-			
Travel/Meetings (education)				232	290	
City Assessments (property, streets, lights)	770	2,181	2,228		2,000	
Uncatergotized Expenses				906		1,142
Total City Expenses/Operating Activity	18,524	17,230	17,371			
Administration Expenses Total	15,360	13,257	12,778	19,464	72,944	6,092

Marketing						
Graphic Artist					600	
Web Designer				465		
Advertising / Print				804	4,000	
Advertising / Electronic Media						
Photography					400	
Posters, Banners, & Billboards					1,600	
Printing				135	1,200	
Public Relations						
Marketing Expenses Total	-	-	-	1,404	7,800	-

Fundraising Expenses						
Fund Raiser #1: Ice Sculpture (2013)					1,500	
Fund Raiser #2: Sweet Pea (concession)				781	750	
Fund Raiser #3: Victorian Holiday Tea				1,021	1,000	
Fund Raiser #4: Mansion Clue (2013)					1,000	
Fund Raiser #5: Title Celebration (2013)						
Fundraising Expenses Total	-	-	-	1,802	4,250	-

Production Expenses						
Story under the Stars				6,568	7,000	
Production Expenses Total	-	-	-	6,568	7,000	-

TOTAL BUDGET EXPENSES	\$ 15,360	\$ 13,257	\$ 12,778	\$ 31,819	\$ 95,267	\$ 6,616
SUMMARY	2010	2011	2012	2012	2013	2013
					<i>Budget</i>	<i>Act. YTD</i>
TOTAL REVENUE	\$ 29,344	\$ 14,993	\$ 23,855	\$ 79,229	\$ 134,024	\$ 9,842
TOTAL EXPENSES	\$ 15,360	\$ 13,257	\$ 12,778	\$ 31,819	\$ 95,267	\$ 6,616
DIFFERENCE	\$ 13,984	\$ 1,736	\$ 11,077	\$ 47,410	\$ 38,757	\$ 3,226

Capital Expenses			2012		
Irrigation/Parking			17,838		
Landscaping and Lawn Repair			25,338		
Building Carriage House			15,804		
Equipment, Chairs, Tables, Systems			6,878		
Capital Expenses Total			65,858	-	-

¹. City has paid in 2013 \$6,137 for 2012 capital and operating expense reimbursements