

**CINNAMON RIDGE III CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
October 15, 2005**

Board members participating were Fred Davison, Larry Glover, Mike Black, Grant Hogarth and Ray Yelle.

Representing Summit Resort Group were Peter Schutz, Lori Schneider and Johnny Crowell. Erika Krainz transcribed the minutes from tape.

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I. CALL TO ORDER

Fred Davison called the meeting to order at 9:00 a.m.

II. APPROVE PREVIOUS MEETING MINUTES

Mike Black made a motion to approve the minutes of the April 17, 2005 and July 9, 2005 Board Meetings as presented. Larry Glover seconded and the motion carried.

III. FINANCIAL REVIEW

A. Year-to-Date Review

Larry Glover reported that year-to-date income was \$113,026. Current assets were \$94,965, including the adjustment for transfer of Reserves. The Operating balance was \$25,579, the Reserve balance was \$51,258, and the Alpine Bank balance (third account) was \$18,127. Mike Black asked Peter Schutz to label the accounts to clearly reflect what they are. Peter suggested combining the Alpine Bank monthly (Reserve) with the third Alpine account so there will be only one Operating and one Reserve account. He would also recommend putting some of the Reserve monies in a CD to improve yield (3.5 – 4%). Larry Glover noted the funds were kept in a savings account up to this point to allow for flexibility and emergencies which was agreed to by the board in January, 2005.

The A/P balance as of the end of September was \$45.

In summary, the bottom line for the month of September was -\$2,761 against a budgeted balance of \$1,222, resulting in a \$3,984 negative variance. Peter explained this was driven by the insurance payment of \$9,451 to Farmer's. Overall year-to-date there was a net surplus of \$13,027 against a budget of \$3,854, resulting in a \$9,173 positive variance to budget. It appears the Association will end the year with a surplus, which could be transferred to the Reserve Fund.

Larry pointed out the largest expense and biggest unknown is the gas cost. The estimated increase in the 2006 Budget is 30%.

Fred Davison asked if the Association would be taxed on any year-end operating surplus. Peter recommended the Board make a resolution to transfer any surplus at year end to the Reserve Fund to avoid tax liability. Fred asked if money could be taken from the Reserve to pay for any excess gas cost in the next year. Peter said the Association could borrow from the Reserve Fund, but it would need to be recorded as a liability and would have to be repaid at some point.

The projected gas rate increase (30 – 48% per Xcel) will take effect November 1, 2005. Mike Black suggested using any year-end surplus to prepay Xcel but Fred proposed carrying any surplus forward in the Operating Budget to offset the increase. Peter said he would contact the CPA to discuss a recommended strategy for keeping the surplus “on the table”.

B. 2006 Proposed Budget

The 2006 Operating Budget as written includes a 4.9% dues increase. The Reserve contribution remains the same. It was noted that the \$15 million insurance umbrella is a significant portion of the insurance expense.

Larry Glover said an alternative to a dues increase would be a \$300/unit one time assessment to offset the energy costs. Grant Hogarth suggested it be identified as an “energy surcharge” instead of a “special assessment”.

Peter Schutz reviewed the individual line items in the 2006 Budget:

1. Audit and Tax - \$1,100 for a financial review and taxes.
2. Board Expenses – \$350 for an owner picnic after the Annual Meeting.
3. Management Fee – 3.3% increase. It was noted the existing contract (assigned by ResortQuest) runs through October 2006 and includes a 2.5% increase. Peter agreed to reduce the increase to 2.5%.
4. Cable – 5% increase based on past actuals.
5. Common Area Cleaning – reduced per past actuals.
6. Common Area Electric – increased 30% per Xcel projection.
7. Spa Utilities – 30% increase. Several accounts were combined.
8. Firewood –\$650. There may be some wood left over from last year so the figure was reduced by half. Peter will determine if there is a location on the property where wood can be securely and safely stored.
9. Landscaping – \$5,350, including \$2,500 for greenescapes to aggressively pursue landscaping in the spring. Johnny Crowell would like to aerate, fertilize and reseed the berm by the parking lot. He noted an irrigation system would greatly improve the growth. The Board supported getting a professional plan to upgrade the overall appearance. Larry Glover thinks that Cinnamon Ridge III owns the easement on the berm which is on Frostfire’s land, so improvements might require their permission. The budgeted figure includes aeration in the spring, at least three feedings for the grass and some new trees.

10. Transportation – Peter said there was a class action suit and litigation in progress regarding the bus service provided by Keystone. He left the budget at zero for now.
11. Snow Removal – reduced from \$4,000 to \$1,650. The estimate is based on 45 plows at \$50/hour.
12. Trash/Water/Sewer – reduced based on past actuals. After discussion, Peter was directed to transfer \$200 from Trash Removal to Snow Removal.
13. Fire Protection – \$2,850. This includes monthly monitoring and \$1,150 for annual testing and inspections. Mike Black mentioned there might be expenses for recharging the glycol.
14. Maintenance - \$8,400, up from \$8,220 last year.
15. Spa – \$840. The supplies expense for both spas was combined.
16. Insurance – combination of renewal of building master policy (about \$9,000) and \$2,800 for the umbrella policy, based on the actual quote from Farmer's. The building replacement cost is estimated at \$200/sq.ft. with the building valued at \$6,348,300. Larry Glover suggested that the board meet with the insurance agent to review costs and coverage before insurance due dates. Larry thought there was a requirement for notifying all owners about the type of insurance coverage. Peter will remind the insurance agent to send out a mortgagee certificate with a summary of coverage.
17. Contingency - \$750. Per Senate Bill 100, management must create a new compliance package. There is an attorney in Golden who will draft all the necessary resolutions for \$750. One requirement is proper disclosure of all association operating information, i.e. financials, minutes and meeting notices. The website for Summit Resort Group is being redesigned to include an association portal with secure access for owners. All required documents will be posted on the website, thereby fulfilling the compliance requirements.

A few modifications need to be made to the 2006 Proposed Budget. Peter Schutz was directed to create a new line item for the 2005 surplus carryover, and to make some adjustments in order to keep the 2006 dues the same as 2005. The Board will approve the 2006 Budget via email.

IV. MANAGING AGENT'S REPORT

A. Completed Projects

1. Sidewalk – the concrete should be dry enough this week in order to drill holes for the railing.
2. Roof – Turner Morris will finish the vent caps once the parts are received.
3. Decks – snow buildup on the deck of Unit 302 caused damage under the siding and some interior damage to Unit 202. The slope of the deck on Unit 302 will need to be modified to redirect the snowmelt away from the

building. Fred Davison said the decks on Units 301 and 302 were modified to address this problem about two years ago. Larry Glover said the decks were inspected after the previous repair and at that time they were sloping away from the building. It appears there might be a sagging issue. Lori Schneider reviewed the contractor's recommendation for repair. The Board discussed possible ways to divert the runoff from the roofs. Peter Schutz recommended hiring Turner Morris to inspect the flashing. He said in the future the decks would be shoveled. The interior repair should be done for Unit 202.

4. Fireplace – Inspections were done in June. There were three fireplaces with non-functioning activation switches. Cleaning has been completed. The contractor was supposed to be on site yesterday to repair some damaged panels but rescheduled for next week. Lori Schneider was asked to get a second opinion on the damaged panels. The wood burning fireplaces also need to be inspected.
5. Fire Extinguishers – completed.
6. Dryer Vents – vacuumed out and covered with bird fence to prevent nesting. Turner Morris will be asked to determine the function of the vents on the roof.
7. Snow Guards – Mark Hubbard is still waiting for the manufacturer to contact him. He will get a bid. He was asked to make the repairs as soon as possible.
8. Upper Hot Tub – late last summer there were heating issues. The temperature fluctuated from 86 – 101 degrees. Kaupas found there was a considerable leak in the secondary heater, which regulates how much the main heater is operating. The leak was fixed and secondary heating element repaired. The tub temperature is now stabilized at 102. The plexiglass cover over the control panel was broken and will be replaced. The setting for the heater is actually under the tub and should not be accessible to users. Larry Glover suggested covering or disconnecting the temperature control button on the control panel that is accessible to users so users can only access the jet control button. River rock was going to be placed in the corners where it drips. This will be added to the spring project list.
9. Concrete in front of Building C – completed. Waiting to install handrail.
10. Boiler Building B – resolved. It was inspected in July and no problems were identified.
11. Gas Grills – prohibition letter has been sent.
12. Door to Hot Tub – adjusted and working properly.
13. Re-key Units – completed.
14. Dryer Vents – dryer vent hoses will be reinspected to ensure they are properly connected. The rubber washer hoses were replaced per the insurance agent's recommendation as a safety precaution. Management will write a letter of explanation to the one owner who is upset about the charge incurred, with a copy to Fred Davison.

B. Projects to be Completed

1. Fire Panels – high priority. Lori Schneider will check to see if there is a wired smoke detector above each of the three panels. The estimated cost is \$5,000 – 6,000.
2. Community Gas Grill – options for a commercial grill range in price from \$1,300 – 1,600. After discussion the Board agreed to purchase a less expensive model for a short term fix. The gas line will need to be run to the grill location. The Board members who are on-site were charged with deciding on a location for the grill. The committee will decide if it would be feasible to purchase the grill from owner Steve Carson and convert it from propane to natural gas.
3. High Speed Internet – Lori Schneider has received a number of calls from owners who would like to have high speed access. Peter Schutz added that from a rental standpoint, more and more guests are asking for it and he anticipates it will be mandatory within the next few years. High speed access could be provided via a DSL line from Qwest with routers and boosters. It might be necessary to install a series of antennae to provide coverage throughout the complex. ResortInternet provided a proposal with two options. The first was a hard wired Ethernet system in each unit. The second was for a wireless system throughout the entire complex. Mike Black had questions about speed and coverage in all units with a wi-fi system. Installation would be about \$7,000, which would probably have to be paid by the Association. The monthly fee of \$21/unit could be billed to the individual owners. Peter needs to make sure that rate is valid even if all owners do not sign up for the service. Fred Davison thought the owners should be given an opportunity to express their opinion on this proposal, since the installation expense would probably have to be paid through a Special Assessment. High speed would also be available individually through Comcast for about \$50/unit/month and the owners should be informed about this option. Lori will create a questionnaire for owners to determine their preference for internet services.

V. OLD BUSINESS

A. Stucco on Buildings B and D

There is some erosion of stucco on the buildings but there does not appear to be any leaking at this point. This project should be added to the spring project list.

VI. NEW BUSINESS

A. Owner Work Day

Ray Yelle will work with Lori Schneider and Johnny Crowell to create a list of projects by the January meeting.

B. Saflok

Peter Schutz said he was not at a point where he could purchase a Saflok system. He will establish a relationship with Wilderrest and work out an arrangement to use their Safelok system. Management does have a master key to all units, except Steve Carson's. Steve told Fred Davison that access to his unit would be by appointment only; Fred responded that in an emergency situation, the unit would be entered by management without notice. Johnny Crowell was directed to make an appointment to verify that his key opens the door.

C. Unit D123 Situation

Peter Schutz summarized the history of the issues with this owner. He said best efforts have been made to be proactive in responding to the owner. Peter explained to the owner several times that the decision to change out the washer hoses was initiated by the previous management company and apologized for the poor workmanship on the project. The owner never mentioned anything about items being missing. The next issue that arose was the gas grill prohibition. Peter feels the owner's contention that the House Rules are unenforceable because they are not recorded is not defensible, especially in light of the empowerment of the Board as defined in Senate Bill 100. Larry Glover clarified that the Rules were in fact recorded. Fred Davison also discussed the situation with the owner and warned him that he could be subject to the enforcement penalties if he did not comply. Peter proposed sending the first warning letter via certified mail on Monday morning. The owner will be allowed due process, including the opportunity to appeal the Board's decision; it may be necessary to hold a special meeting to hear his appeal. In the meantime, the fines will continue to accumulate. The special meeting, if requested, could be convened via teleconference for the out of state Board members. Ray Yelle made a motion to approve a resolution to have management send the owner the first warning letter, outlining his obligation per the Rules and Regulations and Bylaws to remove the gas grill. Grant Hogarth seconded and the motion carried. He will be contacted by phone or by letter regarding the offer to buy his grill for a reasonable price so it can be used as the community grill. Peter will make the call and will document what is said. The Board discussed giving him until the end of the month to comply before assessing fines. If the grill is not removed by the end of the month, a photo should be taken of his balcony with the date indicated on the photo.

D. Unit D121 Situation

Peter Schutz said he did not feel the owner's comments regarding operational issues were valid. Management is doing everything possible to be proactive on all issues. Fred asked that the record reflect that it is the Board's feeling that management has kept the Board advised, has acted appropriately and has responded in a timely manner to all requests. It appears that all issues have been resolved at this point.

E. Address

The physical addresses for the Cinnamon Ridge III B, C and D buildings are not consistent. The Information Systems Department in Summit County will handle bringing Cinnamon Ridge III addresses into compliance.

VII. SET NEXT MEETING DATE

The next Board Meeting was set for Saturday, January 7, 2006 at 9 AM MST.

VIII. ADJOURNMENT

With no further business, a motion was made, seconded and carried to adjourn the meeting at 12:15 p.m.

Approved By: _____

Board Member Signature

Date: _____