

April 26, 2007

Dear Member of the Villas at Prospect Point Condominium Association:

The Annual Meeting for the Association has been set for 10:00 AM on Saturday, May 26, 2007. The meeting will be held at the Best Western Lake Dillon Lodge located at 1202 North Summit Boulevard in Frisco (next to Safeway.)

The Prospect Point Master Association Annual Meeting will take place at 8:30 AM, preceding our meeting. Please plan to attend this meeting as well.

A buffet continental breakfast will be served. Please arrive a few minutes early to sign in, collect your packets, and have a bite to eat.

NOTICE AND AGENDA

Enclosed please find the formal notice of the meeting and an agenda, as required by the Colorado Common Interest Ownership Act and our Bylaws.

MEETING ATTENDANCE AND PROXY ASSIGNMENTS

Please return the Notification and proxy so we will know how many to expect, so that sufficient food and materials can be ordered. (You are welcome to attend even if you do not return the Notification, or if you originally replied that you would not attend and later become able to. Any proxy you assign is revoked by your attendance.)

I encourage every owner who is capable to please attend the annual meeting. **We must have a quorum in order to conduct business at the meeting.**

If you cannot attend, I encourage you to assign your proxy to a neighbor whom you trust to accurately represent your views.

I would ask that members refrain from assigning their proxy to me. As president, I will preside at the annual meeting, and as such, except in the case of voting by ballot, I will not cast a vote unless it is to create or break a tie. You would be better served to assign your proxy to someone who will reliably cast a vote in every instance.

BUDGETS

As a reminder, the Colorado Common Interest Ownership Act and our Bylaws require that the membership ratify any proposed budget adopted by the Board of Directors. The Association currently maintains three funds: the Operating Fund, the Reserve Fund, and the Drainage Remediation Fund. Each fund has its own budget and related

assessment. (In the case of the Reserve Fund and the Drainage Remediation Fund, the budgets are referred to as “Plans.”)

Operating Budget

The Operating Fund contains those regular expenses incurred in the normal operation and management of the Association and the premises. A rough guide is that if the expense occurs regularly, at least once a year, it's likely to be in the scope of the Operating Fund.

The total proposed budget for the Operating Fund for 2006 – 2007 is \$250,000, a 6% increase over the 2006-2007 Operating Fund Budget.

The proposed Operating Fund budget for 2007 – 2008 can be found on page 3.

Reserve Plan and budget

The Reserve Fund (sometimes referred to as the *Replacement Reserves*) is used for the addition to or replacement of significant capital assets of the Association. As a rough guide, if an asset has an estimated life of more than one year, the expense to replace that asset is likely to be covered by the Reserve Fund. Examples of Reserve Fund expenditures are the asphalt roads and drives (for seal coating or overlaying), the paint on the buildings, the roofs on the buildings, the hot tub complex and its various components, the dumpster enclosures, etc.

The Board, in preparation for *last year's* Annual Meeting, prepared the most comprehensive Reserve Plan to date for the Association. This was in response to a troublesome 2005, when a significant temporary dues increase was necessary to fund our painting project. The Reserve Plan consists of a schedule of major expenditures (common elements to be replaced or to receive significant maintenance) projected out into the future, an estimate of their total and remaining lives, and an *estimate* of the cost to replace or maintain the item.

The Board will continue to revisit the Reserve Plan every 1-3 years, to update the estimates of both the life of and cost to replace our common elements, and to continue to add sophistication to the Plan. This year we added mathematical complexity to the Plan to account for inflation and to estimate our expected interest earnings from the fund.

I am including the rather lengthy discussion on the Board's approach to funding the Reserve which I introduced last year. Given the importance of the Reserve Fund to the health of the Association, and the considerable debate that it generates, it bears repeating.

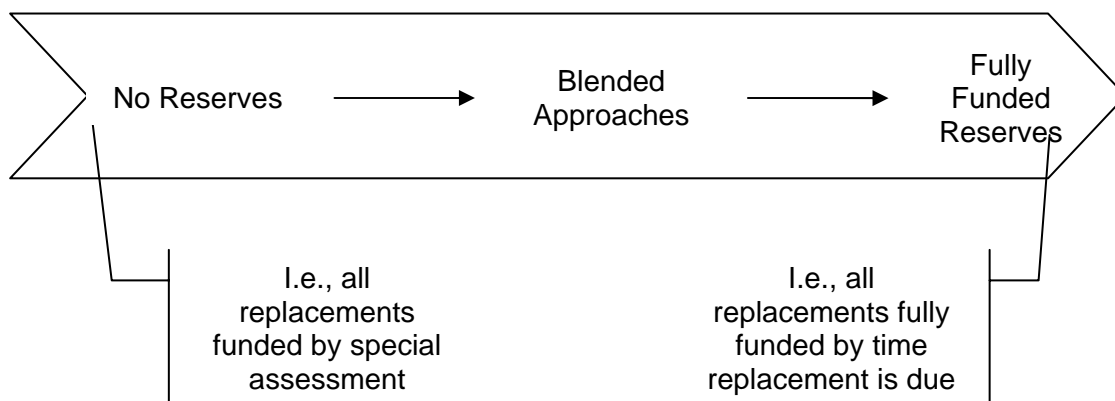
		2006 - 2007 Budget			
		2007 - 2008	Amount	vs. 06-07	Change
OPERATING FUND					
REVENUE					
400	Operating Dues	\$ 250,033	\$ 236,312	\$ 13,721	6%
409	Interest	\$ -	\$ -	\$ -	
	Budget Revenue	\$ 250,033	\$ 236,312	\$ 13,721	6%
EXPENSES					
501	Legal/Professional Fees	\$ 1,500	\$ 1,500	\$ -	0%
502	Bank Charges	\$ -	\$ -	\$ -	
503	Copies	\$ 530	\$ 510	\$ 20	4%
504	Insurance	\$ 14,764	\$ 13,835	\$ 929	7%
5042	Insurance contingency	\$ 2,000	\$ 2,000	\$ -	0%
5043	Insurance claims deductible	\$ 5,000	\$ 5,000	\$ -	0%
505	Management Fee	\$ 73,348	\$ 69,600	\$ 3,748	5%
506	Miscellaneous	\$ -	\$ -	\$ -	
507	Office Expense/Supplies	\$ 150	\$ 1,800	\$ (1,650)	-92%
508	Repairs & Maintenance	\$ 6,825	\$ 4,050	\$ 2,775	69%
510	Water & Sewer	\$ 40,420	\$ 40,420	\$ -	0%
5111	Snow Removal-Supplies	\$ 550	\$ 550	\$ -	0%
5112	Snow Removal-Plow	\$ 7,600	\$ 7,600	\$ -	0%
5113	Snow Removal-Skidster	\$ 2,000	\$ 2,000	\$ -	0%
5114	Snow Removal-Ice Roof	\$ 2,000	\$ 2,000	\$ -	0%
5115	Snow Removal-Ice Labor	\$ 1,600	\$ 1,600	\$ -	0%
513	Cable TV	\$ 35,208	\$ 31,300	\$	0% -
513	Cable TV	\$ 35,208	\$ 31,300	\$	0% -
513	Cable TV	\$ 35,208	\$ 31,300	\$	0% -
513	Cable TV	\$ 35,208	\$ 31,300	\$	0% -
513	Cable TV	\$ 35,208	\$ 31,300	\$	0%\$ - I-Ic RRCable TV

Reserve Philosophy

There are several methods for funding the replacement of the significant common elements at the premises. Some of these methods are complimentary to each other, while others are antithetical to each other. All should and do receive considerable attention, as the sums involved in reserve funds are often significant.

It is possible to imagine the various methods laid out on a continuum from having no reserves to having “fully funded” reserves. A “no reserve” approach essentially says that the Association will assess (a “special assessment”) each year for the amount to be expended that year. This can mean very low dues in a year when nothing is to be replaced, to extremely high dues in a year when a major expenditure is planned (e.g., our roofs).

“Fully funded” is the term used when reserves are collected in such amounts as to



recoup over the estimated life of an asset the total cost of its replacement. For example, to fully fund the reserves with regards to roofs, we would take the estimated replacement cost of our roofs (\$360,000) divided by their year life (20 years), and come up with an annual *basis* of \$18,000. We would need to collect \$18,000 a year over the life of the roofs to fully fund the reserve with respect to roofs. If you repeat this calculation for each replaceable asset, you get the *total annual basis*. This is the amount we would have to collect annually to fully fund the reserves.

Based on our current estimates, our *annual basis* is approximately \$97,000, accounting for inflation.

Pros and Cons of Fully Funding the Reserves

All of the methods have pros and cons. This is by no means an exhaustive list, but rather just an introduction to the more prevalent arguments.

Fully funding the reserves is usually advanced in the cause of:

- Avoiding special assessments.
- Avoiding interest payments (if financing has to be used to make up for an under-funded reserve).

- Allocating the cost of an asset over its life to those who enjoyed it over its life (e.g., the owners that enjoyed living under the roof during its life should bear the cost of that roof).

Fully funding the reserves is the method advocated by the Community Associations Institute (CAI), as well as the committee appointed by the American Institute of Certified Public Accountants (AICPA) which developed the accounting guidelines for common interest realty associations.

Fully funding the reserves is often disputed in the cause of:

- Avoiding tying large sums of equity in the Association, where it does not follow the member, but rather transfers with the unit. The only way for an owner selling his unit to recoup his equity in the reserves is to build that equity into the selling price of the unit, which requires a high degree of transparency in the sale.
- Avoiding tying large sums of equity in the Association, in favor of allowing each owner to keep and invest those funds according to their own risk profile. E.g., if the Association was to have an \$180,000 reserve, that is an average of \$2,000 per unit. The argument is that each owner can better invest that \$2,000 according to their own risk profile, than can the Association, which is restricted to conservative instruments with little or no risk of loss. Each owner would be responsible for anticipating and planning for special assessments so as to not be financially burdened by them when they come.
- Keeping the overall assessments on the units low to make them more attractive to prospective buyers.

Blended Approaches

There is no shortage of hybrid and blended approaches to funding the reserves.

- “Baseline” funding involves setting a minimum amount for the reserves, and setting the annual assessments so as to not allow the reserves to dip below that baseline. (Curiously enough, the “no reserves” approach can be described as the baseline method, with a baseline of \$0.)
- “Alternate time horizons” involves setting the time horizon for the reserve to less than the recommended 20-30 years, and assessing only for those assets that are due to be replaced in the shorter time horizon. For example, if the horizon is set at five years, and the roofs were expected to last another ten years, then the roofs would not form part of the reserve assessment until there were five or less years left in their lives.
- “Combination” or “partial funding” involves collecting at less than the full annual basis for the reserve, and then supplementing the reserve by special assessment in those years when it is required. (This is also a form of baseline funding, but uses a different method and horizon to calculate the annual assessment.)

Some mortgage lenders will set forth certain minimums for reserve funds in order to ascertain the financial health of the association. As these are not consistent I will not attempt to list them here, but a common formula is reserves equal to no less than two months' total assessments on the units. FNMA and FHLMC (Fannie Mae and Freddie Mac) similarly put forth guidelines.

Financing

Another method for financing the replacement of assets is to finance all or part of the replacement cost with a note from a lending institution. Many lending institutions will loan money to homeowners associations, taking as guarantee a Resolution of the Board or the membership assigning the proceeds of an assessment to repay the loan (plus interest, of course.) This method is often considered when the reserves are significantly under-funded, and the assessment required to make up the shortfall would represent a significant financial burden to owners.

It is often disputed on two points:

- It shifts the replacement cost of the asset to owners in the future, rather than those owners that enjoyed the previous asset prior to its replacement.
- It requires all owners to bear interest costs, rather than leaving each owner to seek financing (if required) to pay an assessment. Some owners may have sufficient resources and not need to finance the assessment, while others may be able to collateralize their loan and obtain a better rate than the Association.

Proposed Funding Level

The Board has weighed each of the above methods and their pros and cons in proposing our current approach. We believe that a blended approach using "combination" or "partial funding" provides the best current balance for the Association.

Our total annual basis is currently approximately \$97,000. (This year's figure is adjusted for inflation, which accounts for the increase from last year's figure of \$76,000.) The Board has chosen to increase our current annual reserve assessment from \$50,000 to \$53,000, a 6% increase. In choosing not to fully fund the reserves with an annual assessment equal to our total annual basis, we acknowledge the following:

- The Reserve Plan is based on our best information and estimates available for a reasonable investment of time and effort. When in doubt, we have tended towards conservative estimates, allowing for shorter estimated useful lives and higher estimated replacement costs.
- This approach, if current estimates prove largely reliable, will necessitate special assessments in the future. If the current estimates prevail and the annual assessment remains less than the basis, a special assessment will likely be required near the year 2015. Significant unplanned expenditures will, of course, hasten this eventuality.

Reserve Plan

Page 8 contains the Reserve Plan for 2007 – 2008. While reviewing the plan it is important to keep in mind that it is designed as a tool to calculate an appropriate level of contributions to the reserve, and is not intended as a precise plan. Individual estimates, both for useful lives and replacement costs, are certainly subject to debate. It is impractical to attempt to precisely budget expenditures that are several years in the future. As each component nears the end of its useful life and is scheduled for replacement, considerably more precise estimates will be obtained.

This year’s plan contains three key new facets:

- Contributions increasing by a fixed percentage each year, rather than remaining constant.
- A provision for estimating our interest income.
- A mechanism for factoring in the effects of inflation.

Drainage Remediation Fund

Last year the Board voted to re-establish the Drainage Remediation Fund. We still have roofs which need upgrading to compensate for their less-than-ideal design. The end of each building is plagued with a roof design which has a large, flat expanse, with minimal pitch, in which snow accumulates and from which water has difficulty draining. These “flat roofs” account for the majority of our roof leaks. The Board would like to continue our program of upgrading these flat roofs to a more substantial roofing system. We have seven remaining that have not been upgraded. Two of these have experienced leaks in the past, so the Board has voted to proceed with upgrading these.

The Drainage Remediation Fund will be funded in 2007-2008 by its own assessment of \$16,000. This represents a \$10,000 decrease from the \$26,000 assessment for 2006-2007. As in years past, the Fund and its assessment will run for one year at a time. The Board will continue to evaluate the need for the fund on an annual basis, and decide whether to propose its continuance or abatement with each fiscal year’s budget cycle.

The fund will only be used for projects related to improving or correcting issues with water drainage, both on the roofs and at ground level. Excess amounts will be carried over to the following year (if the fund is continued), refunded to the membership, or by a vote of the membership, contributed to the reserves.

2007 – 2008 Proposed Drainage Remediation Fund Budget

	Comment	Estimate	2007
REVENUE			
Assessment			\$16,000
EXPENSES			
Flat roof replacement 1511 South		\$8,000 each	\$ 8,000
Flat roof replacement 1515 North		\$8,000 each	\$ 8,000
Address ice mounds outside atrium tunnels	Four total; solution being investigated	Unknown	
Budget Expenses			\$16,000
Budget Surplus (Deficit)			\$ 0

2007 – 2008 Reserve Plan

Current Fiscal Year	2007			Annual percentage increase 6.00%			Annual investment yield 4.99%			Rate of Inflation 2.80%			2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Beyond 2017	
	Year installed	Oldest	Newest	Avg. Age	Expected life			Est. remaining life			Unadjusted Cost Est.	Inflation Adjusted Cost Est.	Adjusted Basis												
Replacement of existing common elements																									
Siding	1995	1995	1995	12	25	25	25	13	13	13	\$295,000	\$ 434,000	\$17,360											\$434,000	
Roofs	1995	1995	1995	12	20	20	20	8	8	8	\$360,000	\$ 462,000	\$23,100											\$461,600	
Gutters	1995	1995	1995	12	20	20	20	8	8	8	\$37,600	\$ 48,000	\$2,400											\$48,200	
Heat tape & Bylin systems	1995	1995	1995	12	20	20	20	8	8	8	\$18,800	\$ 24,000	\$1,200											\$24,100	
Asphalt sealcoat	2003	2003	2003	4	7	7	7	3	3	3	\$9,000	\$ 10,000	\$1,429			\$10,100								\$12,195	
Asphalt Overlay	1995	1995	1995	12	25	25	25	13	13	13	\$40,000	\$ 59,000	\$2,360											\$59,000	
Asphalt Striping	2003	2003	2003	4	4	4	4	0	0	0	\$2,000	\$ 2,000	\$500	\$2,100			\$2,300							\$2,600	
Painting																									
Railings	2006	2006	2006	1	1	2	1	0	7	3	\$5,000	\$ 5,000	\$5,000	\$5,100	\$5,300	\$5,400	\$5,600	\$5,700	\$5,900	\$6,100	\$6,200	\$6,400	\$6,600	\$6,775	
Trim	2005	2006	2005	1.5	4	5	4	2.5	7	4	\$35,000	\$ 38,000	\$9,500			\$38,000				\$42,500				\$47,423	
Siding	2005	2006	2005	1.5	8	9	8	6.5	7	6	\$50,000	\$ 61,000	\$7,625							\$60,700					
Concrete																									
Good	1995	2005	2000	11	25	25	25	16	16	16	\$130,000	\$ 220,000	\$8,800											\$220,000	
Fair	1995	1995	1995	11	25	25	25	5	10	7	\$28,000	\$ 41,000	\$1,640												
Poor	1995	1995	1995	11	25	25	25	2	2	2	\$12,000	\$ 18,000	\$720												
Railings	1995	1995	1995	12	20	20	20	8	8	8	\$98,000	\$ 126,000	\$6,300											\$125,700	
Exterior Light Fixtures	1995	1995	1995	12	20	20	20	8	8	8	\$8,000	\$ 10,000	\$500											\$10,300	
Dumpster enclosures	1995	1995	1995	12	20	20	20	8	8	8	\$3,000	\$ 4,000	\$200											\$3,800	
Shed	1995	1995	1995	12	20	20	20	8	8	8	\$1,000	\$ 1,000	\$50											\$1,300	
Stairways	1995	1995	1995	12	20	20	20	8	8	8	\$56,000	\$ 72,000	\$3,600											\$71,800	
Signs	1995	1995	1995	12	15	15	15	3	3	3	\$2,000	\$ 2,000	\$133			\$2,200									
Hot Tub																									
Shell (2)	1995	1995	1995	12	12	15	13	0	3	1	\$18,000	\$ 19,000	\$1,462		\$19,000										
SandFilter	1999	1999	1999	8	10	10	10	2	2	2	\$1,000	\$ 1,000	\$100			\$1,100									
Pumps	2000	2000	2000	7	5	5	5	0	0	0	\$2,400	\$ 2,000	\$400	\$2,500				\$2,800						\$3,252	
Heater	1999	1999	1999	8	15	15	15	7	7	7	\$4,000	\$ 5,000	\$333							\$5,000					
Plumbing	1995	1999	1997	10	20	20	20	10	10	10	\$ -	\$ -	\$0												
Covers(2)	2004	2004	2004	3	1	2	1	0	0	0	\$1,200	\$ 1,000	\$1,000	\$1,200	\$1,300	\$1,300	\$1,300	\$1,400	\$1,400	\$1,500	\$1,500	\$1,500	\$1,600	\$1,626	
Ozenator	1999	1999	1999	8	16	16	16	8	8	8	\$800	\$ 1,000	\$63											\$1,000	
Peroxide feeder	1999	1999	1999	8	16	16	16	8	8	8	\$300	\$ -	\$0											\$400	
Hot Tub Structure																									
Railings	1995	1995	1995	12	20	20	20	8	8	8	\$6,000	\$ 8,000	\$400											\$7,700	
Stairs	1995	1995	1995	12	20	20	20	8	8	8	\$1,000	\$ 1,000	\$50											\$1,300	
Gates	1995	1995	1995	12	20	20	20	8	8	8	\$2,500	\$ 3,000	\$150											\$3,200	
Decking	1995	1995	1995	12	20	20	20	8	8	8	\$5,000	\$ 6,000	\$300											\$6,400	
Supports	1995	1995	1995	12	30	30	30	18	18	18	\$8,000	\$ 14,000	\$467											\$14,000	
Siding	1995	1995	1995	12	20	20	20	8	8	8	\$1,500	\$ 2,000	\$100											\$1,900	
Capital Investments (improvements or additions to existing common elements)																									
Other payments																									
Elements without practically estimatable lives																									
Electrical	1995	1995		12	35	35		35	35 yrs.																
Sewer	1995	1995		12	35	35		35	35 yrs.																
Water mains	1995	1995		12	35	35		35	35 yrs.																
Irrigation	1995	1995		12	15	15		5	5 yrs.																
Underground Drainage	1995	1995		12																					
Plumbing (in bldg.)	1995	1995		12																					
Electrical (in bldg.)	1995	1995		12																					
TOTALS											\$1,242,100	\$1,700,000	\$97,241	\$10,900	\$25,600	\$45,800	\$19,200	\$9,400	\$10,100	\$110,800	\$12,700	\$779,200	\$8,200	\$71,271	\$727,000
Reserve Balance year begin																									
Reserve fund contributions																									
Reserve fund interest																									
Special assessments																									
Expenditures Per Year																									
Reserve Balance year end																									

Dues Schedule

Based on the assessments for the three Associations funds, the proposed dues schedule for the fiscal year 2007-2008 follows. Some key points to remember:

- Each fiscal year, the first month (May) is assessed at the same rate as the prior year, as the new dues schedule cannot be implemented until the budget is ratified. This results in each fund's monthly assessment being calculated by taking its total assessment, subtracting May's assessment, dividing the remainder by 11, and applying the various sharing ratios.
- For the Reserve Fund this year, there will be a contribution from the Operating Fund in the amount of \$10,000, reducing the total required to be collected to \$43,000. This is due to the Operating Fund having revenues in excess of expenditures last year, which by law must either be refunded to the membership, or by a vote of the Board, contributed to the Reserve Fund.
- This year, each fund's monthly assessment per unit is being rounded to the nearest whole dollar, to simplify our accounting.

Fund	Total Assessment	May 2007 assessment	June '07 - April '08 assessment	Monthly dues
Operating	\$250,000	\$19,693	\$230,307	\$ 20,940
Reserve	\$ 43,000	\$ 4,167	\$ 38,833	\$ 3,536
Drainage Remediation	\$ 16,000	\$ 2,167	\$ 13,833	\$ 1,256

UNIT type	SQ FT.	NO of units in complex	Total sq ft.	% interest in general common elements /unit	2006-2007				2007-2008			
					Operating Dues	Reserve Dues	Drainage Remediation Assessment	Total dues	Operating Dues	Reserve Dues	Drainage Remediation Assessment	Total dues
A	1040	22	22880	1.12238%	\$ 221	\$ 47	\$ 24	\$ 292	\$ 235	\$ 40	\$ 14	\$ 289
B	1123	8	8984	1.21196%	\$ 238	\$ 50	\$ 26	\$ 315	\$ 254	\$ 43	\$ 15	\$ 312
C	864	22	19008	0.93244%	\$ 184	\$ 39	\$ 20	\$ 243	\$ 195	\$ 33	\$ 12	\$ 240
D	982	8	7856	1.05979%	\$ 209	\$ 44	\$ 23	\$ 276	\$ 222	\$ 37	\$ 13	\$ 272
E	1420	8	11360	1.53248%	\$ 302	\$ 64	\$ 33	\$ 399	\$ 321	\$ 54	\$ 19	\$ 394
F	1026	22	22572	1.10727%	\$ 218	\$ 46	\$ 24	\$ 288	\$ 232	\$ 39	\$ 14	\$ 285

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UNIT type	Building	Units	Current dues	Operating Dues	Reserve Dues	Drainage Remediation Assessment	Total proposed dues	Change	Percent change
A	, 1503, 1507, 1513, 1515, 1517, 1505, 1509, 1511, 1519	101, 102 101, 104	\$ 292	\$ 235	\$ 40	\$ 14	\$ 289	\$ (3)	-1.03%
B	1505, 1509, 1511, 1519	102, 103	\$ 315	\$ 254	\$ 43	\$ 15	\$ 312	\$ (3)	-0.95%
C	, 1503, 1507, 1513, 1515, 1517, 1505, 1509, 1511, 1519	203, 204 205, 208	\$ 243	\$ 195	\$ 33	\$ 12	\$ 240	\$ (3)	-1.23%
D	1505, 1509, 1511, 1519	206, 207	\$ 276	\$ 222	\$ 37	\$ 13	\$ 272	\$ (4)	-1.45%
E	1505, 1509, 1511, 1519	202, 203	\$ 399	\$ 321	\$ 54	\$ 19	\$ 394	\$ (5)	-1.25%
F	, 1503, 1507, 1513, 1515, 1517, 1505, 1509, 1511, 1519	201, 202 201, 204	\$ 288	\$ 232	\$ 39	\$ 14	\$ 285	\$ (3)	-1.04%

ELECTION OF BOARD MEMBERS

Two of the five Board seats' terms will expire at the end of the annual meeting. These seats are currently held by:

- Rob Bullard (1504-104)
- Joe Woodrow (1517-201)

Mr. Woodrow intends to stand for his seat again. I will be retiring from the Board.

If you are interested in serving on the Board (or on a committee), please indicate so when you return your meeting notification, or contact myself or Kevin Lovett of Summit Resort Group. If you're uncertain, please feel free to contact myself or any current board member with questions.

Board terms run for two years. The Board currently meets 6 times a year, plus additional special meetings and/or tours of the premises as required. Each Board meeting lasts from 2-3 hours.

ASSOCIATION NEWS AND ISSUES

Amendment of the Declaration for Deed Restricted Units

Early this year it came to the Board's attention that a unit in the complex had been purchased by a concern who was developing another property within Frisco, and who had modified the deed of the unit to restrict it so as to qualify as affordable housing, thereby alleviating their need to provide affordable units within their own development.

Given the attractiveness of our complex for this activity because of our pricing relative to other properties in Frisco, and the fact that the Town of Frisco was amenable if not outright in favor of the practice, the Board feared it may become commonplace. The Board does not feel that this practice is in the best interests of the complex, or that it is fair for other developments in the town to be able to circumvent affordable housing requirements by taking advantage of our complex without so much as seeking the approval of the Association.

To prevent this, it is necessary to amend our Declaration, which is unfortunately the most onerous of our controlling documents when it comes to doing so, requiring the written approval of at least 60 of the 90 owners, as well as 67% of the first lienors. Each of you have received a mailing containing the proposed amendment, and a consent form that must be returned indicating your consent or not.

If you have not yet returned this form, please do so at your earliest convenience. If you have questions about this action, please don't hesitate to contact myself or another Board member. We hope to be able to adopt the Amendment by the time of the Annual Meeting.

Mud Swallow Nests

Every spring our buildings get unwanted exterior decoration courtesy of migratory mud swallows who build the mud nests prevalent under our eaves. Unfortunately destroying an active nest and/or the young in the nest is illegal. Swallows, their active nests and eggs are all protected by the federal Migratory Bird Treaty Act of 1918 and may not be destroyed. The U.S. Fish and Wildlife Service allows vacant nests to be destroyed, but nests with active birds, their young or the presence of eggs must be left alone. Otherwise, it is a violation of federal law.

Summit Resort Group is continuing to explore mechanisms to discourage the birds, but please be tolerant, as we simply cannot remove the nests.

Shhhh

Every so often it is necessary in a condominium complex to remind all owners that they, their tenants and guests all share close quarters with others at the complex. Everyone has no doubt discovered that our walls and floors transmit sound rather well, so please be cognizant and respectful of your neighbors, especially during the complex quiet hours of 10:00 pm to 8:00 am. Please make sure that your tenants and renters are conscious of this, and don't forget about pets, especially pets left unattended during the day.

Unit inspections

In the past, our management company performed unit safety inspections once per week. The inspections were designed to safeguard units that were not regularly occupied from incidents such as water damage, etc. At some point between early 2001 and early 2003, this service was discontinued as part of contract negotiations with our management company at the time, ResortQuest, most likely as a cost control measure and also as a result of concerns and difficulties over administering the service and safeguarding ResortQuest. (No current member of the Board was serving at the time, so the details are sketchy.)

Apparently our on-site sub-contracted manager at the time continued to perform these inspections for a subset of the units, uncompensated. Upon his replacement last year, the inspections stopped, which led to some confusion.

The Board took up the matter at our June 2006 meeting, and voted to not resume the inspections, but rather to allow owners to contract directly with Summit Resort Group if they desired their unit to be inspected regularly. If you are interested in obtaining this service from Summit Resort Group, please contact Kevin Lovett for information and a fee schedule.

Master Key System

Please remember that your unit *must* remain on the Association's master key system. This is for the protection of all owners in the event of an emergency – we hate to break down doors to turn off the water. (The fire department, on the other hand, gets a real kick out of it.)

If you need to re-key your unit, please contact Kevin Lovett of Summit Resort Group.

Pets Restricted to Owners

Owners are reminded that only *owner-occupied units* are permitted to have pets. If you lease your unit long-term, please ensure that your lease clearly prohibits pets. If you rent your unit short-term, please ensure that your management service is aware of this restriction, and that guests are informed of the restriction well before arriving.

Adopt a Flower Bed Program

In recognition of those owners who have significantly improved the appearance of the property through their landscaping and gardening efforts, and to encourage other owners to do the same, this season the Association has begun an "Adopt a Flower Bed" program. As an owner at the Villas at Prospect Point, you may "adopt" a flower bed and use it to exercise your inner green thumb. The weeding, planting and maintaining of flower beds by owners are a great way to beautify the complex and are supported by the Association.

What's better is that the Association will reimburse you for material costs up to \$100!

If you are interested in adopting a flower bed, please contact Kevin Lovett of Summit Resort Group to identify the bed, discuss your plans, and discuss material cost reimbursement. We will ask that you submit a very rudimentary description of your plans, just in case your taste in garden statuary tends toward florescent purple.

If you've already informally adopted a bed, first, *thank you*, and second, if you could let Kevin Lovett know which bed you have adopted, it will prevent it being accidentally assigned to someone else. By formalizing your participation you can also apply for the material cost reimbursement.

Kind regards,

VILLAS AT PROSPECT POINT CONDOMINIUM ASSOCIATION



Robert C. Bullard
President