

THE ENCLAVE ASSOCIATION

BOARD OF MANAGERS MEETING

September 29, 2004

I. Call to Order

Mel Blumenthal, President of the Board, called the meeting to order via telephone at 8:30AM on September 29, 2004. In attendance were Mel Blumenthal, Oscar Novo, Mike George, Joe Porcaro and participating via phone were Glen Fisher, Ed Wissing and with respect to insurance, Rob Colburn.

II. Old Business

A. Approval of Minutes - Board meeting of September 23, 2003

Mr. Blumenthal made a motion to waive the reading of the minutes of this meeting. Mr. Fisher seconded, and the motion was carried. Mr. Fisher made a motion to approve the minutes of this meeting, and Mr. Blumenthal seconded. The motion was carried.

B. Base Village Development

Mr. Blumenthal advised the attendees that the developer's application has now received preliminary approval and is undergoing the final approval process. Public meetings continue, and interested owners are encouraged to participate. It is anticipated that final approval will be voted on by the Town Council prior to the end of October 2004. It is still unknown whether the Base Village opponents will try or have enough support to get a referendum on the ballot. If they have enough signatures to get on the ballot, the referendum election would most likely not occur until the early part of 2005.

C. Insurance Discussion

Mr. Fisher invited Rob Colburn, an insurance professional with past family ties to ownership of an Enclave unit, to join in the meeting via phone. Mr. Colburn commented on several insurance policy issues. After discussion, the Board directed management to get answers to the following questions from the insurance agent for the Association:

What is the cost of a minimum workers comp policy for uninsured subs?

Can the agent release replacement costs per foot values for Crestwood, assuming he is the agent for that property?

Can the agent detail the replacement value breakdown for units, garages, and the arrival center on a per foot basis?

Can the agent add terrorist coverage to the quote for the budget year, so that The Enclave selects coverage to be consistent with that chosen by Chamonix and Woodrun Place?

Since the standard for building codes has changed from UBC to IBC, has the agent taken that into consideration for the appropriate building ordinance coverage?

Is the umbrella a shared limit or risk sharing policy or does it stand alone? If stand alone, the Association prefers to pay for the additional coverage to \$25 million in a revised quote.

Can the agent copy Rob Colburn on the policies and notify us when this task is done? His phone number is 248 332 3100.

Does the agent know of any local code regarding any requirement to demolish the entire structure or structures in the event of a specific % of damage? For instance, if 50% of the building is damaged and/or destroyed, is there a code that requires full demolition and rebuild?

Will the agent waive agency fees for the small policy costs detailed in the recently faxed quote?

The Board decided to add coverage for a minimum workers comp policy. This protects the Association from workers compensation costs for any uninsured subcontractor working on behalf of the Association who may become injured on our property. Residential units are now covered under the property insurance policies for replacement costs of \$390 per sq foot. Members are advised that they must obtain their own personal property and betterments and improvements insurance. If any member is uncertain about what insurance coverage they have in effect or which ones are necessary, they may contact the Association's insurance broker, John Wilkinson of the Aspen Agency at (970) 925-7285, or their own personal insurance broker.

D. Owner Grounds Committee Recommendations/State of the Property

All pool furniture has been replaced. Three new sconce lights have been installed. At the west elevator ground floor landing an additional teak bench has been added. Additional trees have been installed in front of the carports on both the east and west sides of the property.

This fall we plan to do repairs to the lattice that screens the crawl space and foundation access and plant new shrubs at the ski entrance walkway.

The topical overlay on all concrete walkways is anticipated to be completed by the end of October 2004, weather permitting. Due to the Contractor's late start and weather delays the 2nd and 3rd floor patio decks will receive the topical overlay in the Spring 2005.

As discussed at the last annual meeting, the Board has a goal of establishing uniformity on the ground level decks. The concept is to approve owners enlarging these decks on the condition that those owners will bear the cost increase for the enlargement and to install Trex decking (simulated wood decking), with a credit by the Association for the cost of the topical overlay that would otherwise have been applied. The rationale is that the second and third floor decks will receive this topical overlay, but the ground floor cement decks are damaged beyond repair and are not suitable for the topical overlay. Trex is more expensive than this overlay product; therefore, the Board believes it is fair for ground floor owners to pay the incremental cost differential, since those owners will directly benefit from the larger decks with an upgraded surface.

The condition of the lawn in front of the east and west side carports is in very bad shape

Management has used a liquid fertilizer/weed killer to kill the dandelions and added seed to improve the grass. However, the grass seed hasn't yet filled in the bare spots left by the weed killer. As the slope of this section down to the drainage ditch is fairly steep and difficult to mow or weed, the Board asked management to obtain a landscaper's advice regarding appropriate plantings for these areas and the sides of the driveway entrance.

All of the railing caps and the courtyard exterior walls will be painted or stained this fall, as well as the carport knee walls on the side facing Wood Road, and various wall sections that are showing accelerated wear.

Mr. Porcaro also wants to paint the inside of the arrival center and replace the arrival countertop from funds in 2861. If the Board approves the work, management will prepare a motion for the annual meeting for the members to approve that transfers an amount equivalent to the arrival center paint costs from 2861 to the operating fund paint line item. The counter top may be replaced directly from 2861 funds. Mr. Fisher made a motion to approve proceeding with this work. Mr. Blumenthal seconded, and the motion passed.

Propane gas barbeques will be installed this fall for all rental unit owners, and those nonrental owners who decided to purchase one. All non-propane gas barbeques will be removed from the premises this fall and may no longer be used at the Enclave, due to fire insurance coverage restrictions.

E. Financial Review 2003-2004, Unaudited

Management forecasts that the Association will finish the year under budget by \$1,988, as savings in Utilities were offset by additional Maintenance costs.

Balance Sheet – All owners except 313 are current on payment of assessment accounts. The owner of 313 has withheld a small portion of her assessment payment over a dispute with the local dry cleaner that she expects Mr. Porcaro to resolve. Management has made it clear to the owner that she remains responsible for the entire assessment and that there is no connection between her dry cleaning costs and her assessments. If this account is not paid up by November 15, 2004, appropriate legal action will be taken.

III. New Business

A. Appointment of Officer to Board of Directors

Mr. Blumenthal commented that Andy Jacob had recently sold his unit and resigned from the Board of Directors. Mr. Blumenthal nominated Mr. Novo for the vacated office, and Mr. Fisher seconded. The motion passed, and Mr. Novo was appointed to serve out the balance of Andy Jacob's term. As Mr. Jacob's term is up this year, Mr. Novo can run for his seat, if he so chooses, at the upcoming annual meeting.

Due to anticipated upcoming projects, such as window replacement, conversion of the ski rental/ storage room to a gym, steam, shower, restroom and changing room facility, and other property improvements, Mr. Blumenthal suggested increasing the size of the Board from three to five members in order to obtain a wider and more diverse representation of opinion and creative ideas. The Bylaws require an amendment to allow for this change. Mr. Blumenthal asked management to prepare an email ballot for the members to use to vote

upon an amendment to the Bylaws for this issue and any other clarifications or language changes management may recommend for consideration. Two issues to clarify are the allowance of communication between the Board and the members by email and the allowance of teleconference meetings for Board meetings. If the members approve the increase to five Board members, it is the Board's intention to appoint Ed Wissing to the Board until the annual meeting in March, 2005, at which time Mr. Wissing may elect to run for this Board seat. The fifth seat will be left vacant until the election at the next annual meeting.

B. Budget 2003-2004

Operating Fund

SLC and the Board reopened discussion on current management fees, services, and costs.

Management Fees are proposed to increase by \$50.25 per unit per month, contingent upon elimination of the remaining \$35 per unit per month rental unit management fee.

Gross SLC revenues from the rental program continued to shrink last year over the prior fiscal year, although winter season-to-season revenues improved somewhat. Pace for the upcoming winter season, however, is discouragingly down significantly from prior year. SLC is uncertain if this is indicative of a continuing down turn in rental revenues, or simply renters booking vacations at later dates than our historical norms. Because there is no indication of a rental program sales rebound, SLC will attempt to complete the fee negotiations with Woodrun Place, Chamonix, and The Enclave before the start of the next fiscal year.

The Woodrun Place and Chamonix Boards last year approved increasing these fees by \$55 per unit per month, contingent upon SLC eliminating the \$65 per unit per month rental unit management fee. That meant that the management fee was approved to change from \$105 per unit per month to \$160 per unit per month by two of the three WCE member properties. Subsequently, the WCE committee met and would only approve \$17 per unit per month in new management fees, offset by a reduction in rental unit management fees of \$30 per unit per month. So, the management fee last year changed from \$105 to \$122 per unit per month. The WCE decision was essentially revenue neutral to SLC.

If the proposed additional fee of \$50.25 per unit per month is approved, the Association management fees would then become \$172.25 per unit per month - \$50.25 plus \$122, and the Rental Unit management fee would be discontinued.

Included in SLC's request for increased management fees is \$12.25 in additional association management fees over the amount approved by Chamonix and Woodrun Place last year (but not The Enclave). Because of lagging SLC rental operation booking pace, unless SLC enjoys an unprecedented acceleration in rental booking pace over the next seven months, SLC will experience a substantial decline in winter rental revenues. However, as early booking pace is not always indicative of the gross rental revenues that may eventually be achieved, SLC proposes that \$12.25 per unit per month in increased management fees over 2003-2004 be waived, if SLC achieves gross rental revenues that are equal to or greater than those of May 2003 through April 2004.

These higher fees in the upcoming budget would increase member assessments by an additional \$23,517, or 4.77%. This equates to:

\$516 Two Bedroom units
\$681 Three Bedroom units
\$820 Four Bedroom units

in higher management fees, annually.

The Board concluded that SLC's proposed management fee changes that were presented to the Board last year were reasonable due to the continued weakness and uncertainty about revenue generation through the rental program.

Since the owners declined any further staff or service reductions at last year's annual meeting, the increase in management fees requested by SLC appears to be fair and reasonable. In addition SLC has agreed to adjust staffing so that more guest service staff shifts will originate at the Enclave, which should improve service quality and response times at the Enclave.

SLC has agreed that the increased management fee will not be further increased for the next three fiscal years except to account for significant increases in health, liability, and workman's compensation insurance premiums. SLC has also agreed that, if its annual rental revenues increase by 10% or more during the upcoming or any subsequent fiscal year they will, subject to negotiations with the Boards of The Enclave, Chamonix, and Woodrun Place, reduce their management fees.

Insurance is budgeted to increase by 14% to match the quotes from the insurance agent. The Board requested that management issue an information letter to new unit buyers, so that they are notified of their responsibilities regarding purchasing coverage for their personal property and for the betterments and improvements in their unit. Depreciation is adjusted to the current asset schedule per Reese Henry. SLC has requested an increase in Vehicle Rental cost reimbursements of \$1,200 for the year to help offset the recent increases in gasoline prices. Overall General and Administrative expenses are budgeted to increase by \$29,152, or 14.39%.

Utilities are budgeted to increase by \$4,405, or 5%. As there have been no recent indications of large unit price increases, SLC proposes budgeting 3-5% increases for the line items in this category as hedges against both potential increased use and potential price increases.

Repairs and Maintenance expenses are budgeted to be about the same as in 2003-2004, with increased Window Cleaning expense to allow two full cleanings (versus 1 ½ in fiscal 2003-2004) offset by expected reductions in Repair & Maintenance Contractor costs.

Additional Owner Grounds Committee Recommendations

None requested to date.

Reserve Fund

The reserve fund line items have been updated, resulting in a proposed budget of \$46,862, up \$1,276 over the prior year.

Summarized changes:

Description	Life	Cost	Annual Funding
Garage Roof	+ 5yrs	+7,000	-198.48
Spa Boiler	+ 3yrs	0	0.00
Windows	+17yrs	+90,000	-1,500.00
Hallway Lights	+ 5yrs	0	0.00
Brass Kick plates	0yrs	0	-125.00
Fitness Equipment	+ 2yrs	0	0.00
Fire Alarm System	+10yrs	0	0.00
Elevator Valves	+ 1 yrs	0	0.00
Concrete Work	+15yrs	190,000	371.32
Miscellaneous	N/A	N/A	\$2,728.30

The garage roofs continue to outlast all of our expectations without any leaks, so we have extended their anticipated useful lives.

We anticipate discussion among the members about the condition of the windows this year and to decide upon a funding/replacement mechanism. In the reserve model our process has been to replace panes as they have failed, rather than to do property wide window replacements to include screens, jamb liners, and other trim parts. As the Association has various options available, including an immediate special assessment, a phased special assessment (over time), financing, or continued deferment of replacement, we have budgeted only for continuing our current process of replacing panes, as the seals fail. We have changed the Estimated Replacement Current Cost up to \$150,000, which is the material estimate in hand for new windows on the southeast and southwest building sides, only. Labor is dependent upon the work involved on a per window basis and still to be determined. We expect bids from RA Nelson, Snowmass Custom Building, and Snowmass Service Center, and Ken Janckila on window labor, soon. The Board decided to defer until the next annual meeting discussion on how to account for painting the interior window trim to match the various interior unit finishes.

We have increased the replacement cost and life of the concrete. As we expect that the new concrete will last longer because of the overlay than the old, funding has changed by a nominal annual amount to include the cost of the 2003-2004 surface application. The Association, in conjunction with funding for new windows, may decide to accelerate the cost recapture of this work via an alternate funding mechanism – debt, special assessment, etc. Under the current budget model, we can see no effective way to fund for window replacement without a special assessment, financed or otherwise. However, the concrete overlay costs are an order of magnitude smaller and can be funded retroactively over an extended period of time through the Reserve Fund, should the Association so choose.

The Board has engaged an Architect, Michael Manchester, to produce several concepts for conversion of the old ski rental/storage room into a combination gym, steam, shower, changing, and restroom. These concepts will be presented to the owners along with cost estimates at the next annual meeting.

Summary

Assessments were approved by the Board to increase by 8.67%, or \$42,744, including the line item changes to the Reserve Fund. Mr. Wissing offered to review the marketing program for SLC in an attempt to improve rental revenues and returns. Mr. George accepted the offer and will work with Mr. Wissing on the marketing program.

Mr. Novo made a motion to accept the budget, as amended, to include the changes to the management fees, to include the revised insurance quotation numbers per the Board's requests, and including the line item changes to the Reserve Fund. Mr. Blumenthal seconded, and the motion passed. The assessments for fiscal 2004-2005 will therefore be \$535,511.

The Board stressed that approval of the management fees was in expectation that the management company would make scheduling changes that would more evenly distribute the desk staff among the WCE properties, so that improvements in service parity can be achieved. Management committed to this concept. Further, Mr. George intends to move his office from Chamonix to Woodrun Place to better expedite the staffing allocations of management.

Mr. Novo made a motion to transfer the operating surplus from 2003-2004 to the Reserve Fund for the concrete replacement line item, once verified by outside auditors. Mr. Blumenthal seconded, and the motion passed.

Mr. George will draft a cover letter to go out with the statements.

IV. Date of Next Annual Meeting

A. By vote the members established the month of the annual meeting to be in March of each year. The annual meeting is set for March 6, 2005, at 4:00 PM.

V. Adjournment

A. Mr. Novo made a motion to adjourn the meeting, and Mr. Blumenthal seconded. The motion passed, and the meeting was adjourned at 11:00 AM.

Respectfully submitted,

Oscar Novo, acting Secretary