

THE ENCLAVE ASSOCIATION, INC.

BOARD OF DIRECTORS MEETING September 30, 2009

I. Call to Order

Mel Blumenthal, President of the Board, called the meeting to order at 9:00 A.M. MT on Tuesday, September 30, 2009. In attendance at The Enclave were Board members Mel Blumenthal and Oscar Novo. Board members Lonnie Klein, Stuart Kaufman, Larry Garon, and Max Word participated via conference phone. SLC staff members Mike George and Joe Porcaro were also present and participated in the meeting at the Enclave. Board member, Glen Fisher was not available to participate in the meeting. John Wilkinson of Aspen Insurance Agency also attended the beginning of the meeting.

II. Reading and Approval of Minutes

A. Approval of Minutes - Board meeting of September 26, 2008

Prior to the meeting Mr. Porcaro emailed another copy of the September 26, 2008, minutes to the members of the Board. Dr. Word made a motion to waive the reading of the minutes of the September 26, 2008, Board meeting. Mr. Novo seconded, and the motion passed. Dr. Word made a motion to approve the minutes of the meeting of the Board held on September 26, 2008, and Mr. Novo. The motion passed.

III. Report of the Officers

A. State of the Property / Grounds

1. Completed projects

- a. Performed various domestic and spa boiler repairs
- b. Repaired leak in snowmelt system
- c. Repaired and painted all of the balcony railings
- d. Performed miscellaneous siding repairs
- e. Performed annual test and inspection on all fire extinguishers and fire alarm system
- f. Purchased new pool cover and pool vacuum
- g. Installed pool auto fill and new pool and spa drain grates
- h. Repaired waterline pool tiles
- i. Repaired walkways where the overlayment was failing
- j. Re-carpeted elevator cabs
- k. Minor exercise equipment repairs
- l. Installed CO detectors in all units at owners expense
- m. The pool was repainted and electrical repairs completed

2. Projects proposed to be completed this fall

- a. Seal exposed aggregate hardscape
- b. Stain siding walls and walkways on the courtyard side of the building as needed. The staining and painting of the entire back section of

- the building is planned for the spring of 2010.
- c. Install federally mandated shutoff valves on pool and spa
- d. Purchase and install solar lamps on both ski access stairways
- e. Mr. Porcaro to check with Chamonix and Woodrun Place regarding any requirements that might be needed to comply with new elevator inspection rules
- f. Mr. Porcaro will request that the TOSV Bldg inspector come visit one unit of each type and unit 307 to confirm that the property is in compliance with the new CO monitor regulations. Mr. Garon approved adding one more CO monitor to his upper level.
- g. Staff will shovel the transition between the wooden ski access steps and the ski trail as early as possible in the season. Mr. Porcaro is working with the SkiCo to try to get their staff to keep the ski trail cut down to the top wooden step.

B. Trex Decking

The owner of EN102 received a credit for \$336 for installing a deck this year. The Enclave Association charged the concrete replacement line item of the Reserve Fund for fiscal 2008-2009. Mr. Porcaro noted that units 103, 104, 109, and 112 have yet to install Trex decking. Mr. Blumenthal commented that there is a local referendum to be voted upon by which the county will obtain a bond of up to \$7 million to be used by property owners for improvement projects that are considered to be “green.” He asked that Mr. Porcaro check with the county, as to whether the remaining deck replacements to be undertaken on the ground floor units could be financed under this program. Mr. George noted that the repayment of these loans is proposed to be through an additional property tax assessment that would run with the unit performing the improvement, be paid for by the owner of that unit, and would not become a general tax obligation that all people would pay. The proposed amortization periods for repayment of these loans is either 15 or 30 years.

IV. Discussion of Officers whose terms are up this year

Mr. Fisher completes his term as a Board member in March 2010. Mr. Fisher advised via prior email that he intends to run for reelection. Mr. Blumenthal requested that management give the entire membership a minimum of ninety days advance notice of the up-coming board election in March 2010 via email and request that all interested candidates submit their bios, qualifications and any statement they wish to make at least one month prior to the Annual meeting for distribution to the entire membership in advance of the annual meeting.

V. Old Business

A. Enclave Staff Incentive

Last year the Board instituted a staff incentive program. The Board at its discretion on an annual basis sets the percentage of any operating fund surplus to be contributed to the incentive program. Dr. Word made a motion to approve the staff incentive for the “08-09” fiscal year to be 50% of any audited operating fund surplus for that fiscal year. Mr. Novo seconded, and the motion passed.

B. Enclave Expansion/Renovation Plans

All plans for expansion are deferred at this time.

C. Financial Review 2008-2009, Unaudited

Management forecasts that the Association will finish the year with an operating fund surplus of \$33,999, which includes the net effect of transferring the Deferred Painting Balance Sheet activity to the Operating Fund. Management recommends that the Board approve \$28,719.07 of the projected Operating Fund Surplus be carried forward into the budget year's assessment calculation as a surplus dedicated to Painting; and consider an allocation of the remainder of \$5,279.89 in projected surplus funds (or an amended final surplus amount, pursuant to audit) in part or whole to the Renovation, Reserve Funds and/or the staff Incentive Fund.

Dr. Word made a motion to allocate the audited operating fund surplus to:

Staff Performance Incentives: 50% of audited amount of surplus, not to exceed \$2,639.94

Renovation Fund: 0.00

Reserve Fund: to receive the remainder, allocated to a new line item for siding replacement/major repairs

Mr. Novo seconded, and the motion passed.

Balance Sheet – No owners are currently delinquent on payment of assessments. Two owners owe late fees totaling less than \$100.

Management recommends that the Board approve transferring the estimated net credit of \$3,079 in the Miscellaneous line item of the Reserve fund to the Concrete line item, as the auditors recommend no Miscellaneous line item balance be retained in the Reserve Fund. The credit is created by Interest Income on Reserve Fund bank account balances. Dr. Word made a motion to approve this recommendation. Mr. Novo seconded, and the motion passed.

Per the financial statements from Reese Henry, at year end of fiscal 2008, the Operating Fund had borrowed \$61,757 from the Reserve Fund. Dr. Word made a motion to approve the inter-fund loan. Mr. Novo seconded, and the motion was approved. The Reserve Fund has subsequently repaid this loan from the operating fund during fiscal 2008-2009.

VI. New Business

A. Budget 2009-2010

Operating Fund – Proposals

Management proposes that the fiscal 2009-2010 Operating Fund budget decreases by \$21,700, and the Reserve Fund budget increase by the same amount. Overall, management proposes that the budget and therefore the assessments for fiscal 2009-2010

remain the same as that of the prior year.

Revenue lines are budgeted as flat to prior year projected totals.

The General and Administrative Category is budgeted to decrease by \$774, or 0%, excluding the inducement management fee line item. Inducement fees per unit were prorated at 5/12ths of \$7,500 per unit average in fiscal 2008-2009, and the full amount will be levied in fiscal 2009-2010.

At \$28,089,810 property limit for Insurance purposes, the Association has average replacement coverage of roughly \$445.87 per sq foot, based upon exterior square footages, and including the carports and the arrival center building. Insurance is budgeted flat to prior year, with no anticipation of an increase in replacement coverage valuation. Mr. Wilkinson discussed the master insurance policy concept. Approximately \$90 million is available to fund approved insurance claims at Chamonix, Woodrun Place, and the Enclave. Mr. Garon asked if the Enclave had to be rebuilt after a catastrophe, could the Enclave elect to rebuild the property differently, than how it was originally constructed? Mr. Wilkinson replied that this could be a point of negotiation with a claims adjuster at time of loss. Mr. Garon noted that this property could be considered obsolete in design and finishes now and asked if the property could be improved, if it had to be rebuilt after a catastrophe? Mr. Wilkinson replied that, for example, if the adjuster decided that the property could be rebuilt for \$28 million to its original condition, then the Enclave could negotiate for a settlement from the insurance company to rebuild the property however it desired, but the limit on insurance proceeds would likely be \$28 million, or less, depending upon how the settlement was negotiated. Mr. Garon asked what the replacement cost per foot for the Enclave was, and Mr. George replied that it was \$446 per square foot. At Mr. Garon's request Mr. Wilkinson will provide a quote to increase the Enclave replacement cost amount to be \$550 per square foot. After general discussion the attendees agreed that, as the \$90 million cap yields a replacement cost per square foot limit of approximately \$1,428, the insurance limits were reasonable. Mr. George asked Mr. Wilkinson to review the Declaration and advise if insurance proceeds would be available to replace original unit finishes, or if the coverage would stop at the construction limits of what defines a Unit under the Declaration. In other words, is the Association responsible to replace drywall, paint, carpet, etc. under this scenario, or is the Unit owner to individually and directly bear the costs for the Unit itself? Mr. Wilkinson will reply to the board via email. Mr. Blumenthal asked about coverage limits for the D&O policy, and Mr. Wilkinson advised that this coverage, by law, applies to situations whereby a party alleges that the board made a willful or wanton decision that caused damages. The D&O policy would provide coverage for both the legal defense and settlement of any proven claim. Mr. George noted that there are exclusions under the D&O policy, such as decisions regarding building construction/renovation and mold mitigation, for which coverage might be denied. Mr. Wilkinson also noted that coverage is available under the policy regarding any requirements to meet current building codes for which the Enclave might currently be out of compliance. Mr. Wilkinson then left the meeting.

The Utilities category is budgeted to increase by \$6,160, or 5%. Electricity and Gas costs are expected to increase by 4-5%. Other utility category line costs – Telephone Service, Water & Sewer, and Trash - are budgeted to increase by 5-10%, and Cable is budgeted to

increase by 3.28%. Volatility in the costs of energy continues to make these expenses difficult to predict.

The Repairs and Maintenance Category is budgeted to increase by 2%, or \$4,701. R&M Contractors is budgeted to drop by \$2,565, as last year, there was a large expense for topical concrete surface repairs that should not be needed in the budget year. Pool Maintenance expenses are budgeted to drop by \$14,442, as there were large costs to bring the pool/spa into compliance with new mandated safety rules in the prior year, along with a vacuum replacement and installation of an auto-fill system. Funds for these types of expenses should not be needed in fiscal 2009-2010. There is a procedural change that began in the prior fiscal year to eliminate any deferred paint funds in the balance sheet and to transfer this activity to the Operating Fund. Therefore, the Paint & Stain – Deferral line item will now show the economic results of this change, and budgeted costs will rise in 2009-2010 by \$26,507. This increase is fully offset by the fiscal 2008-2009 carry forward surplus.

Reserve Fund - Proposals

The Reserve Fund line items are updated to include increases in funding for windows from \$5,000 to \$15,000 per annum, and to create a new line item for Siding, with a contribution of \$11,700 proposed for the budget year. This increase in proposed funding of the Reserve should result in an increased balance at the end of the budget year from \$502,979 to \$584,397. The Arrival Center Reserve fund is projected to grow to \$63,143 by the end of the budget year. Expected expenditures to the fund in the budget year are replacement of aging pool and spa pumps.

Mr. Klein made a motion to accept the amended proposed budget, as revised during the meeting, with regular assessments at \$760,150.57. Mr. Novo seconded, and the motion passed.

VII. Other Items

A. Date of Next Annual Meeting

By vote the members established the month of the annual meeting to be in March of each year. The annual meeting is set for 4:00 PM MT on Sunday, March 7, 2010.

B. Discussion of Inducement Fee Changes

All 39 owners signed unit management contracts in fiscal 2008-2009 with SLC. Last year the Inducement Fee charged to the Enclave Association was prorated and discounted to be for 5/12ths of the year. For fiscal 2009-2010 the average fee of \$7,500 per unit will be levied for the full year, and the unit management contracts will all need to be amended for this change.

SLC believes that the inducement process has encouraged members to either join or continue to stay within the rental program.

However, SLC understands that some members have either started or continue to rent their

units privately. One owner has a website used for advertising her properties for rent, while she has told SLC that she only rents to friends and family. As staff members believe that the website is not provided by a third party commercial entity, the owner remains in compliance with her contract, as it is currently written.

Other owners are known to rent their units occasionally. One rental owner rents for the entire month of March to the same party that has rented this unit from the current and two different past owners of the unit.

An excerpt from the nonrental unit management contract is below:

OWNER represents that OWNER does not now nor will OWNER at any other time during the term of this AGREEMENT rent his PROPERTY or advertise his PROPERTY for rent for occupancy to any person, company, corporation, or any other party while bound by the terms of this AGREEMENT, ~~through any third party commercial entity~~. In the event that the OWNER decides to rent his PROPERTY at some future date, ~~either personally, through any other party and/or agent, through any third party commercial entity~~, OWNER agrees to notify COMPANY in writing to terminate this agreement and further agrees to a prorated adjustment of the Inducement Fee described hereunder, based upon the number of days of the AGREEMENT that his PROPERTY becomes available for rental occupancy during the term of this AGREEMENT.

An excerpt from the rental unit management contract is below:

OWNER, ~~either personally or through any other party and/or agent~~, represents that COMPANY has the exclusive right as agent for OWNER to rent the PROPERTY, and OWNER does not now nor will OWNER at any other time during ~~the each~~ term of this AGREEMENT rent his PROPERTY or advertise his PROPERTY for occupancy to any person, company, corporation, or any other party while bound by the terms of this AGREEMENT, ~~through any third party commercial entity other than COMPANY~~. In the event that the OWNER decides to rent his PROPERTY at some future date either personally or through any ~~third~~ party ~~commercial entity~~ other than COMPANY, OWNER agrees to notify COMPANY in writing to terminate this agreement and further agrees to a prorated adjustment of the Inducement Fee for the current term of this AGREEMENT described hereunder, based upon the number of days of the AGREEMENT that his PROPERTY becomes available for rental occupancy during the then-current term of this AGREEMENT.

SLC cannot know the extent of private rental activity, as the transactions do not pass through its books. However, when tenants identified as owner guests by the unit owners interact with the staff and subsequently advise they have paid the unit owners directly for use of the property, the issue becomes known.

An option for consideration of the Board - As the contracts all need to be amended for the full year inducement rebate details, is the Board supportive of also deleting the language in both rental and nonrental contracts above that is highlighted in red, and adding the language that is highlighted in blue?

Mr. Kaufman made a motion to approve these language changes, and Mr. Klein seconded. Although Mr. Garon had previously left the meeting before this decision was made, he

advised the attendees that he would vote against these changes, and his objection is noted for the record. Mr. Fisher was not present. The motion passed.

C. Discuss Proposed Gratuity Letter

Mr. Blumenthal drafted a proposed letter for the consideration of the Board to issue to the members. The attendees made various recommended language changes, and Mr. Blumenthal will circulate a revised draft for consideration of the board. The board will issue the letter directly to the membership in its final form, once approved.

D. Employee Unit & Exercise Room

Mr. Blumenthal advised that the employee unit is not deed restricted, and it is appropriate for the Board to consider the best use of this asset.

Mr. George noted that Chamonix provides 3 employee units, Woodrun Place provides 6, and Enclave provides 1. Staff that work primarily at the Enclave are currently housed at 2 Woodrun place units. SLC will encourage some of those staff members to consider moving to the Enclave employee unit upon availability.

VIII. Adjournment

Mr. Klein made a motion to adjourn the meeting, and Mr. Novo seconded. The motion passed, and the meeting was adjourned at 11:15 AM.

Respectfully submitted,

Oscar Novo, Secretary