

THE ENCLAVE ASSOCIATION, INC.

BOARD OF DIRECTORS MEETING September 30, 2010

I. Call to Order

Mel Blumenthal, President of the Board, called the meeting to order at 9:00 A.M. MT on Thursday, September 30, 2010. In attendance at The Enclave were Board members Mel Blumenthal and Lonnie Klein. Board members Stuart Kaufman, Larry Garon, and Oscar Novo participated via conference phone. SLC staff members Mike George, Lee Wilson, and Joe Porcaro were also present and participated in the meeting at the Enclave. George Hart, Carol Dresser, and Todd Sauer of Alpine Bank were in attendance at the start of the meeting. Rob Colburn joined the call for discussion of some insurance matters.

II. Reading and Approval of Minutes

A. Approval of Minutes - Board meeting of September 30, 2009

Prior to the meeting Mr. Porcaro emailed another copy of the September 30, 2009, minutes to the members of the Board. Mr. Novo made a motion to waive the reading of the minutes of the September 30, 2009, Board meeting. Mr. Klein seconded, and the motion passed. Mr. Novo made a motion to approve the minutes of the meeting of the Board held on September 30, 2009, and Mr. Klein. The motion passed.

III. Report of the Officers

A. State of the Property / Grounds

1. Completed projects

- a. Performed radon tests
- b. Isolated leak in driveway snowmelt system
- c. Installed new snowmelt system pump
- d. Installed new DHW boiler pump
- e. Performed siding repairs
- f. Performed annual test and inspection on all fire extinguishers and fire alarm system
- g. Purchased new pool and spa covers
- h. Installed federally mandated anti entrapment shutoff valves on pool and spa
- i. Stained and painted entire back section of the building
- j. Sealed all exposed aggregate walkways and stairs
- k. Re-carpeted elevator cabs
- l. Installed fire alarm sounders in all units
- m. Installed CO detectors and horns in all 3 boiler rooms
- n. Cleaned dryer vents in all units
- o. Redecorated Enclave lobby(new carpet, blinds, wallpaper, couch, computer)
- p. Installed wireless internet access for conference room

2. Projects proposed to be completed this fall/early winter
 - a. Mr. Porcaro to check with Chamonix and Woodrun Place regarding any requirements that might be needed to comply with new elevator inspection rules.
 - b. 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.
 - c. Continue to try to isolate the source or sources of the pool leak. The next step is to bring in a leak specialist to try to isolate the source of the leak and then to design a repair solution.

B. Trex Decking

The Enclave Association did not charge any replacement decking (\$336 per deck) to the concrete replacement line item of the Reserve Fund during fiscal 2009-2010. Mr. Porcaro noted that units 103, 104, 109, 110, and 112 have yet to install Trex decking. Mr. Porcaro researched whether or not these owners could participate in the Pitkin County Energy Smart Loan Program to obtain funding for the replacement of these decks. Mr. Porcaro advised the attendees that these deck replacements cannot be funded by this program. In an effort to obtain better pricing for these members, Mr. Blumenthal asked Mr. Porcaro to solicit quotes from local contractors for pricing to construct all five decks at the same time.

IV. Discussion of Officers whose terms are up this year

Mr. Novo and Mr. Kaufman complete their terms as Board members in March 2011. Mr. Blumenthal requested that management give the entire membership a minimum of ninety days advance notice of the up-coming board election in March 2011 via email and request that all interested candidates submit their biographies, 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. Mr. Kaufman advised that he likely will not run again for election to the Board.

V. Old Business

A. Enclave Staff Incentive

The Board, in a previous year, instituted an incentive program for SLC staff. The Board at its discretion on an annual basis sets the percentage of any operating fund surplus to be contributed to the incentive program. This year management recommends that the Board allocate any fiscal operating fund surplus to the 2010-2011 budget to offset the anticipated costs of replacing the phone switch, while allocating \$2,300 of the surplus to supplement the Pool line item in the Reserve Fund.

B. Enclave Expansion/Renovation Plans

All plans for expansion are deferred at this time.

C. Financial Review 2009-2010, Unaudited

Management forecasts that the Association will finish the year with an operating fund surplus of \$6,991. Mr. Kaufman made a motion to allocate the audited operating fund surplus as follows:

\$2,300 to the Reserve Fund, Pool Replacement Line Item

The balance to be carried forward to the Fiscal 2010-2011 Operating Fund

Mr. Klein seconded, and the motion passed.

Balance Sheet – The owners are all current on payment of assessments.

Management recommends that the Board approve transferring the estimated net credit of \$1,800.10 in the Miscellaneous line item of the Reserve fund to the Pool 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. Mr. Klein 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 2009, the Operating Fund had borrowed \$74,520 from the Reserve Fund. Mr. Blumenthal made a motion to approve the inter-fund loan. Mr. Garon seconded, and the motion was approved. The Operating Fund has subsequently repaid this loan to the Reserve Fund during fiscal 2009-2010.

VI. New Business

A. Budget 2010-2011

Operating Fund – Proposals

Management proposes that the fiscal 2010-2011 Operating and Reserve Fund budgets both remain flat. Overall, management proposes that the budgets and therefore the assessments for fiscal 2010-2011 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 increase by \$7,144, or 2%. The Board has instructed management to defer discussions with Neil Garing Agency at this time on insurance renewal quotations in order to get competitive bids from other brokers for insurance coverage. Our current property coverage insurance doesn't expire until 10/31/2010. The budget allows for an expected increase in Fidelity coverage, as the Enclave has \$50,000 in current coverage for over \$664,000 in cash on hand. Mr. George noted that the first quote for increased fidelity coverage came in at \$761 from a competing brokerage. The Board thought that obtaining this additional coverage at this additional cost was prudent. The Board instructed management to amend the approved budget to reflect the actual cost of insurance coverage, once the price was determined later in October 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. Replacement Cost Insurance is budgeted flat to prior year, with no anticipation of an increase in replacement coverage valuation. Mr. Garon will write any questions he has concerning coverages in email format to Mr. George, who will then pose them to the broker. Mr. George will forward a copy of the 2009-2010 fiscal year policies to Rob Colburn for review. Rob is a Michigan based insurance broker who has conducted an independent review of our insurance and insurance policies in the past.

The Utilities category is budgeted to increase by \$5,836, or 5%. Electricity and Gas costs are expected to increase by 5%. Other utility category line costs – Telephone Service, Water & Sewer, and Trash - are budgeted to increase by 5-15%, and Cable is budgeted to increase by 1%. Volatility in the costs of energy continues to make these expenses difficult to predict.

The Repairs and Maintenance Category is budgeted to decrease by 11%, or \$27,718. R&M Contractors is budgeted to drop by \$11,000, as compared to last year. There were large expenses for repairs to the snowmelt system and siding, along with building code mandated improvements to fire alarm system in the prior year. The paint (Exterior Surfaces) reserve has been fully exhausted by expenditures in fiscal 2009-2010, and the line budget is reduced to \$24,000.

The anticipated project costs for the replacement of the common telephone switch and the back-up internet system are \$29,900 and \$9,200, respectively. A line expense of \$9,775 for The Enclave's portion has been added to Special Projects for these allocated costs. Both systems are considered obsolete, and parts are no longer available. The back-up internet system has been inoperable since mid-winter of 2010, but the primary wireless system has operated efficiently in the interim, so the experiences of owners and guests have been only nominally impacted. The Board instructed management to remove the replacement cost for the internet back-up system and conditionally approve the funding of the replacement telephone switch, with Mr. Blumenthal to review the bids and details before purchase and implementation, and assuming that Woodrun Place and Chamonix also agree to proceed with the phone switch replacement.

Reserve Fund - Proposals

The Reserve Fund line items are currently proposed to be the same as last year. The Reserve should result in an increased balance at the end of the budget year from \$608,650 to \$676,229. Expected expenditures to the fund in the budget year are replacement of aging pool and spa pumps. The Arrival Center Reserve Fund is projected to grow to \$57,218 by the end of the budget year.

Mr. Kaufman made a motion to accept the amended, proposed budget, as revised during the meeting, with regular assessments at \$760,150.57. Mr. Klein 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 6, 2011.

B. Gratuity Letter

Last year Mr. Blumenthal issued a letter to the membership that encouraged the members to reward good service provided by the staff with gratuities. Since his letter was met with seven or eight positive responses, Mr. Blumenthal suggested that he issue a letter this year as well.

C. Responsible Governance Policies – Addendum 1

Management drafted eight (8) Responsible Governance Policies and five (5) other specifications on behalf of the Enclave in accordance with Colorado law and to provide updated information to members on general Enclave policies and processes, per the Association Bylaws and Declaration.

There is a ninth (9th) Responsible Governance Policy in seven (7) parts that is drafted at the bottom of the document. Mr. Porcaro has provided a copy of this draft document with the draft minutes for Board review.

Management drafted answers these seven (7) standards for Reserve Fund Policies on behalf of the Enclave, after corresponding via email with the external auditors. Mr. Kaufman made a motion to formally adopt these policies. Mr. Klein seconded, and the motion passed. Mr. Blumenthal requested that management have the policies posted to the SLCASSOC.com website.

D. Cash Management Plans

- A. Alpine Bank reps presented a proposal for a CDARS program. The program allows for 100% FDIC insurance to be managed by the bank in a laddered investment strategy. Early withdrawals from the CDARS program have slightly more significant interest penalties than penalties for early withdrawals from Alpine Bank. Mr. Kaufman made a motion to direct management to enter into the CDARS program with Alpine Bank. Mr. Klein seconded, and the motion passed.
- B. Raymond James presented a cash management plan in writing, but the representative did not attend the meeting. The Board requested that Mr. George analyze the two proposed programs from Alpine and Raymond James and make a recommendation to the Board, as to whether the cash assets should remain in the new Alpine Bank CDARS program, be shifted to the Raymond James program, or be allocated in some fashion between these two separate programs.

C.

VIII. Adjournment

Mr. Blumenthal made a motion to adjourn the meeting, and Mr. Klein seconded. The motion passed, and the meeting was adjourned at 11:30 AM.

Respectfully submitted,

Oscar Novo, Secretary

Addendum 1
The Enclave Association, Inc.
Responsible Governance Policies

Re: The Law Under the Senate Bills: Colorado owner associations are required to have eight written responsible governance policies and procedures on the following topics, as of the dates indicated:

- i) Collections (1-1-06) [Source: SB 05-100]
- ii) Conflicts of Interest (1-1-06) [Source: SB 05-100]
- iii) Conduct of Meetings (1-1-06) [Source: SB 05-100]
- iv) Enforcement of Covenants and Rules (1-1-06) [Source: SB 05-100]
- v) Records, Inspection and Copying (1-1-06) [Source: SB 05-100]
- vi) Investment of Reserves (1-1-06) [Source: SB 05-100]
- vii) Adoption of Policies (1-1-06) [Source: SB 05-100]
- viii) Disputes Between the Association and Unit Owners. A copy of this policy must be made available to an owner on request. (1-1-07) [Source: SB 06-89]

Proposed policies

- i) Collections (1-1-06) [Source: SB 05-100]

The processes for the levy and collection of assessments are described throughout the Bylaws and Declaration, and more particularly in sections 6.1-6.7 of the Declaration and sections 10.2-10.4 of the Bylaws;

- ii) Conflicts of Interest (1-1-06) [Source: SB 05-100]

Any Association member may allege that any other Association member has a Conflict of Interest on any point of order raised at any duly noticed Regular or Special meeting of the general membership. The alleging member may make a motion that the member accused of having a Conflict of Interest be asked by the Board of Directors to voluntarily recuse himself or abstain from voting on the matter at hand without comment as to the validity or lack thereof regarding the accusation. If the motion passes, the Board will then make the request. If the member accused of having the Conflict of Interest voluntarily recuses himself or abstains from voting on the matter at hand, the minutes will so reflect this choice. However, if the member accused of having the Conflict of Interest does not voluntarily recuse himself or abstain from voting, the Board President may request that any motion on that point of order be continued, until the dispute may be resolved, using the processes described in the Bylaws for voting at a meeting of the members. The Board President may also, at his discretion, call for a vote of the membership on that point of order upon which the accusing member has alleged that any other member has a Conflict of Interest to include the votes of all members present.

Any Board member may allege that any other Board member has a Conflict of Interest on any point of order raised at any duly noticed Regular or Special meeting of the Board of Directors. The alleging member may make a motion that the member accused of having a Conflict of Interest be asked by the rest of the Board of Directors to voluntarily recuse himself or abstain from voting on the matter at hand without comment as to the validity or lack thereof regarding the accusation. If the motion passes, the Board will then make the request. If the member accused of having the Conflict of Interest voluntarily recuses himself or abstains from voting on the matter at hand, the Board minutes will so reflect this choice. However, if the member

accused of having the Conflict of Interest does not voluntarily recuse himself or abstain from voting, the Board President may request that any motion on that point of order be continued, until the dispute may be resolved, using the processes described in the Bylaws for voting at a Board meeting. The Board President may also, at his discretion, call for a vote of the membership on that point of order upon which the accusing Board member has alleged that any other Board member has a Conflict of Interest to include the votes of all Board members present;

iii) Conduct of Meetings (1-1-06) [Source: SB 05-100]

The rules for Conduct of Meetings are described throughout the Bylaws and Declaration and more particularly in sections 5.2-5.9 of the Declaration and sections 3.1-8.4 of the Bylaws;

iv) Enforcement of Covenants and Rules (1-1-06) [Source: SB 05-100]

The Enforcement of Covenants and Rules is described throughout the Declaration and Bylaws, and more particularly in sections 4.12 -4.13 of the Declaration and section 6.10 of the Bylaws;

v) Records, Inspection and Copying (1-1-06) [Source: SB 05-100]

The Members rights to inspect, examine, and copy the Records of the Association are described throughout the Bylaws and Declaration and more particularly in section 4.7 of the Declaration and sections 8.3-8.5 of the Bylaws;

vi) Investment of Reserves (1-1-06) [Source: SB 05-100]

The Association invests its cash reserve balances in FDIC insured bank accounts, money market instruments, or short-term Certificates of Deposit;

vii) Adoption of Policies (1-1-06) [Source: SB 05-100]

The Adoption of Policies is described throughout the Bylaws and Declaration and more particularly in sections 4.12-4.13 and 7.1-7.13 of the Declaration and section 6.10 of Bylaws;

viii) Disputes Between the Association and Unit Owners. A copy of this policy must be made available to an owner on request. (1-1-07) [Source: SB 06-89]

Unit Owners, or members, may only submit written correspondence to the Board of Directors formally describing any Dispute Between the Association and Unit Owners. If the Board determines that the Dispute has merit or lack thereof, the Board will so respond in writing to the member who has brought the issue before the Board.

The Board will attempt to resolve the Dispute to the satisfaction of the reporting member via oral and written discussion. If the Dispute remains unresolved after these mutual efforts within a 60-day period, the Board will end oral and written discussions on the matter with the member. At all times the Board will follow the processes described in the Bylaws and the Declaration regarding its conduct in the matter, including, but not limited to, obtaining the advice of counsel on how best to proceed in order to protect the interests of all of the members and the Association.

Other specifications contained in Colorado State laws are noted below:

- ix) "All members of the executive Board shall have available all information related to the responsibilities and operation of the Association obtained by any other member of the Board." This requirement is met by language throughout the Declaration and the Bylaws, and more particularly in sections 6.1-6.10 of the Bylaws and sections 5.4-5.9 of the Declaration;
- x) "The Board may not act on behalf of the Association to amend the Declaration, to terminate the common interest community, or to elect members of the executive Board or determine the qualifications, powers and duties, or terms of office of Board members, but the Board may fill vacancies in its membership for the unexpired portion of any term." Filling of vacancies is described throughout the Bylaws, and more particularly in sections 5.1-5.7 of the Bylaws;
- xi) "Committees of the Association shall be appointed pursuant to the governing documents of the Association. Or, if the governing documents contain no applicable provisions...The person appointed after August 15, 2009, to preside over any such committee shall meet the same qualifications as are required by the governing documents of the association for election or appointment to the executive board of the association." The processes describing Committees of the Association are found throughout the Bylaws, and more particularly in sections 5.1 and 5.8 of the Bylaws;
- xii) "An association may not prohibit display of an American flag, but may adopt rules regarding placement and manner. (b) An association may not prohibit display of a military service flag, but may adopt rules regarding size and manner. (c) An association may not prohibit display of political signs from 45 days before to 7 days after an election. An association may regulate the size and number of signs, but must permit at least one sign 36"x48" or as allowed by ordinance, whichever is smaller. (d) An association must permit the parking of a vehicle used for firefighting, law enforcement or ambulance or emergency medical services if the vehicle is necessary for employment. (e) An association must permit an owner to remove landscaping around a unit for fire mitigation. (f) An association may not require the use of cedar shales or other flammable roofing materials. C.R.S. § 38-33.3-106.5."
- xiii) The Association must register annually with the HOA Information and Resource Center, as of January 1, 2011.

xiv) REPLACEMENT RESERVE STUDY AND FUNDING POLICIES

- a. Reserve study was performed by a third party provider.

b. The association has performed a reserve study on September 30, 2009.

c. The association has performed a reserve study based on:

Both a Physical analysis – condition of existing common elements and future needs; and a Financial analysis – ability to raise and maintain funds for reserve needs.

d. The association will update the **financial analysis** of the reserve study every year. The updates will be performed by a third party provider, and will be approved by the Association Board at each annual budget meeting.

e. The association will update the **physical analysis** (if applicable) of the reserve study every year. The updates will be performed by a third party provider, and will be approved by the Association Board at each annual budget meeting.

f. Reserve funding goals are based on:

Baseline Funding – Funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balances does not drop below zero during the projected period.

g. The association has a plan for funding the work recommended in the study: Yes – reserve funds will be provided through Regular Assessments; Special Assessments, if needed; and/or Borrowing/Debt, if needed.