

CINNAMON RIDGE III CONDOMINIUM ASSOCIATION
BOARD OF DIRECTORS MEETING
October 14, 2007

I. CALL TO ORDER

Mike Black called the meeting to order at 9:00 a.m.

Board members Larry Glover, Mike Pederson and Kevin Donofrio were present. Fred Davison and Mike Black participated via teleconference.

Representing Summit Resort Group were Kevin Lovett and Peter Schutz (via teleconference). Erika Krainz of Summit Management Resources transcribed the minutes from tape.

II. OWNERS FORUM

The meeting notice was posted on the website. Aside from Board members, there were no owners participating in the meeting.

III. APPROVE PREVIOUS MEETING MINUTES

Fred Davison made a motion to approve the minutes of the April 14, 2007 Board Meeting as presented. Larry Glover seconded and the motion carried unanimously.

Fred Davison made a motion to approve the minutes of the July 7, 2007 Annual Meeting as presented. Larry Glover seconded and the motion carried unanimously. The minutes will also need to be approved by the membership at the next Annual Meeting.

IV. FINANCIAL REVIEW

A. Year-to-Date Review

As of August 31, 2007 the Association had \$33,994 in Operating, \$19,650 in the Reserve Money Market and \$45,723 in the Reserve Account.

The August P&L indicated the Association was \$16,323 under budget in Operating due to savings in the Legal Expense, Common Area Electric and Gas, Contingency, Snow Removal, Window Washing, Repair and Maintenance, Insurance and Lower Spa Repair and Maintenance line items.

Mike Black commented that there had been some problems in the past with proper allocation of the Insurance premium in the correct fiscal year. Kevin Lovett explained that the premium was paid in November of each year but 1/12th of the premium is allocated to the P&L monthly for accounting purposes. The premium is actually decreasing for 2008 to about \$10,000 due to a discount on the

umbrella policy (\$15 million with Farmer's Insurance) with no change in the coverage. The premium for the building coverage is increasing 2%.

Projects still to be completed included fireplace inspections and chimney sweeping. These will be done in November and will be charged to the Repair and Maintenance account.

Kevin Donofrio raised a question regarding charges in the month of August for snow removal. Kevin Lovett explained that it was probably a misclassification. The charge was for checking of the hot tubs by the on site Manager. Kevin Lovett will review the charges with the Maintenance staff to ensure they are correctly classified.

V. MANAGING AGENT'S REPORT

A. *Completed Items*

1. Winterization and securing of snowplow contractor for 2007/2008 season. The same contractor as last year has been hired as he did a great job at a good price.
2. Repaired concrete between Units 112 and 113.
3. Inspected and flushed boiler/hot water heater.
4. Installed trim at hot tub area.
5. Painted conduit run on front of D Building.
6. Repaired concrete at front of C and D Buildings.
7. Repaired deck ceiling of Unit 203.
8. Cleaned dryer vents.
9. Installed carpet edge nosing at hot tub area and at B Building front and back deck hallways.
10. Replaced step by Unit 101.

B. *Completed Capital Projects*

1. Stained C and D Building decks with two coats.
2. Installed gutters, snow bars and heat tape on B and C Buildings.
3. Completed structural repairs to hot tub and replaced floor.
4. Replaced waterproof membrane at hot tub area.
5. Replaced carpet at hot tub area.
6. Installed new hot tub covers.
7. Replaced waterproof membrane at B Building front halls and back decks.
8. Replaced carpet at B Building front halls and back decks.
9. Replaced concrete front entry steps to the B Building. The railings need to be rebolted to the plates to make them more secure. Mike Black said in the future, the rail should actually be set in the concrete instead of bolted to it for maximum stability.

Kevin Lovett provided a spreadsheet with the 2007 capital projects and costs. The total cost for all projects was originally estimated to be \$45,022. The actual total cost was \$47,831.

C. Pending/Report Items

1. Rekey - Summit Resort Group now has all the equipment for the Saflok system. Keys have been mailed out and all locks will be reprogrammed on Monday.
2. Bid to replace doors at hot tub area (bathroom and utility closet) - \$250 per door (two of them) plus labor not to exceed \$400. Kevin Lovett said the existing doors were not in bad condition and they were repainted this summer. The Board agreed to combine this project with the hot tub residing project.
3. Back side of B Building -- There has been an ongoing issue with water drainage by Units 302 and 303. The waterproofing of the decks is causing the water to drain onto the siding. Ma Greene has proposed custom flashing and gutters. It may not be necessary to have heat tape due to the sun exposure. Larry Glover agreed that a gutter would be the best way to control the drainage. The Board authorized installation of the flashing and gutter before the winter season.

D. Process of Board Review

Mike Black explained that the standard decision making process between Board meetings was usually via email with all Board members being given the opportunity to participate and provide feedback on issues. Kevin Donofrio suggested establishing guidelines, i.e. a deadline for response on decisions and a dollar threshold. Regular operational decisions, i.e. routine repair and maintenance, could be made by email but expenses that will significantly impact the owners could be discussed on a conference call. As an aside, Mike Black suggested changing the subject line on emails whenever the topic being discussed changes so the information is easier to locate historically. Larry Glover made a motion to formalize the email approval process by requiring motions, seconds and a vote on decisions. Kevin Donofrio felt there should be a timeframe as well. Fred Davison pointed out that any decisions made between Board meetings should be included on the agenda for the next Board meeting for ratification. There was no second to the motion as the Board agreed this was a procedural issue.

VI. OLD BUSINESS

A. Interior Hot Tub Siding

Kevin Lovett reviewed the three main options, i.e. cedar wood, composite (vinyl) and cementitious material. Fred Davison said he had used cementitious siding on several projects and found it held up very well. It is not affected by moisture, is available with a wood grain finish and only needs repainting occasionally. Kevin

Lovett commented that at another complex he manages, a number of cementitious boards had to be replaced due to denting and broken corners. Fred said the corners could be protected with wood trim to avoid this problem. Mike Black said he would like to visit some other complexes with cementitious siding during his next visit to Keystone. Kevin Donofrio will research the options for other materials.

B. Rekeying

There was discussion about the new charge for the Saflok keys. Kevin Lovett said the industry standard was \$3.00/key, as discussed during the April Board meeting. Summit Resort Group was being charged \$3.00/key by other management companies for keys before they acquired the equipment. A Board member felt the charge for keys made by SRG with the new equipment should be less than \$3.00/key since the Association contributed \$900 toward the purchase of the equipment and therefore was a 25% owner of the equipment. Kevin Lovett explained that there was another piece of equipment that had to be purchased for \$600 that is only being used for this Association. It was also agreed that the charge for more than 6 keys at a time would be \$2 and that this mailing went out to all the owners. Mike Black noted that this issue had already been discussed and he was under the impression that an agreement had been reached and the owners informed of the charge per key. Several other Board members concurred with this summary. Peter Schutz clarified that he did not see the ownership as shared; the \$900 was a contribution but SRG owns the equipment per the agreement that was drafted.

VII. NEW BUSINESS

A. Bike Storage

There was discussion about adding bike lockers that could be rented by owners. It might be possible to expand the dumpster shed if a roof is added. A Board member questioned if there was really a need for additional storage. Mike Black suggested tabling this issue until next year's Board meeting. The Board agreed there should not be any significant expenditure on this project until the need is confirmed. An email can be sent to owners to determine the level of interest once a possible location and estimated costs are identified.

B. Project Cost Thresholds

The Declarations specify that the Board is charged with maintaining a first class property. There is a \$1000 threshold in the Management Contract. Historically, the Board has polled the membership when the expense is for "extra value", such as the new balcony railings and high speed internet.

C. Rusty Pipes in B Building

Kevin Lovett said there was a problem with rusty water in the B Building units. The lines from the main to the mechanical rooms in the C and D Buildings are

copper and the line into the B Building is iron, but there appears to be some rust in B and C Buildings as well. Mike Black said the three options would be to do nothing, to put a filter on a line that could handle the volume without restricting pressure, or to replace the iron pipes. Kevin Lovett said the pipe did not appear to be rusted but the fittings and joints were. He believes the rusty water is originating from the mechanical room area. Mike suggested adding a filter downstream of the iron pipe. The filter would need to be changed periodically, perhaps when the system is flushed. The other alternative would be to replace the pipe. Kevin Lovett thought they should try the filter option. He said the Board might also want to consider replacing the victaulic fittings in the crawlspace. Kevin Lovett was directed to work with Tom Hill to develop recommendations and prices for the different options. If a filter system is installed, it will need to be appropriately sized to allow for adequate water pressure and should not require frequent replacement. Larry Glover recommended testing the water that is coming into the building. Kevin Lovett will get recommendations from Tom Hill and get a bid to add a filter and replace the rusty fittings in the B Building mechanical room, and will get another bid to replace the victaulic fittings in the crawlspace and find out if there is a better product than the victaulic fittings.

VIII. 2008 CAPITAL RESERVE BUDGET REVIEW

Kevin Lovett said he had updated the Capital Budget with actual figures from 2007. The projected year end total expenditure is \$47,000 against an original budget of \$44,000, reducing the balance going forward by about \$3,000. Due to lower operating costs in 2007, however, it was possible to increase the 2007 annual contribution from \$16,560 to \$22,200. This level of contribution is also budgeted for future years. There could also be an additional \$16,000 contribution at the close of 2007 from the 2007 year end Operating surplus.

There was discussion about how the surplus should be reflected in the budget, i.e. if it should be booked in the same year when it occurs or in the subsequent year as of January 1st. In the past, the surplus has been booked in the subsequent year. Fred Davison recommended asking the accountant how it should be done in order to avoid any tax liability.

Kevin Lovett asked the Board how much should be projected for the 2007 surplus. The current surplus is about \$16,000 but there could be an additional unbudgeted expense of \$800 for gutters and an unknown expense for the pipe issue. The hot tub covers will additionally be paid from the Reserve account. Mike Black suggested paying for the gutters out of the Operating account and the piping out of the Reserve account. He proposed a teleconference Board meeting in December to review the financial status and finalize the 2008 Budget.

Items to be added to the Reserve Budget included:

1. Pipe repair or replacement – need to get a cost estimate from Tom Hill.
2. Gutters - \$800.

Kevin Lovett needs to add \$900 for the key card machine to the Operating expenses. This will reduce the projected year end surplus.

Changes to the future Capital project schedule included:

1. Hot Tub Interior – budgeted for \$4,000 in 2008. This should be increased to \$10,000 for painting and substrate work.
2. Hot Tub Carpet - \$2,500 in 2009 can be removed since it was already done.
3. Lower Tub Shell - \$12,000 in 2008. This can be moved forward to 2010.
4. Stairs – add \$2,000 for each building for some stair nosing that Mike Black will install to prolong the life of the stairs.
5. Signage – \$750. Move forward to 2009.
6. Pumps – \$1,800. Move forward to 2008.
7. Hot Water Boiler/D Building – Add \$12,000 in 2011.

The Board discussed the Saflok replacement listed for \$8,500 in 2011. They ultimately agreed to leave it in the schedule at that time, although very few locks have failed at this point, and to leave the projected life at -2 years to preserve the information regarding the expected life.

Larry Glover asked Kevin Lovett to provide information on the amount in reserves per unit for other Associations in Summit County. This Board has traditionally looked at a \$50,000 minimum balance but he was not sure if that was appropriate.

IX. 2008 PROPOSED BUDGET

Kevin Lovett explained that due to the significant Operating surplus projected for the end of 2007, he was able to keep the proposed dues for 2008 at the same level while increasing the Replacement Fund contribution by \$5,640.

Kevin Lovett reviewed the changes to the 2008 Proposed Budget as compared to the projected 2007 Actual results:

1. Accounting Fee - \$10 increase but reduced Audit and Tax account by \$10.
2. Internet - \$231 increase based on Comcast contract.
3. Board Expenses - \$220 decrease based on six meetings.
4. Annual Meeting Expenses - \$293 increase.
5. Common Area Electric - \$563 increase based on 15% projected rate increase.
6. Upper Spa Electric - \$640 increase based on 15% projected rate increase.
7. Gas - \$4,152 increase based on 15% projected rate increase.
8. Contingency - \$2,739 increase in order to balance the budget. Larry Glover suggested charging the \$900 for the key card machine to this account in 2007.
9. Firewood - \$270 increase.
10. Landscaping Labor – eliminated this account and moved to Site Manager Expense account.
11. Grounds Maintenance - \$266 increase for special projects.
12. Snow Removal - \$1,718 increase assuming a more normal snow year.

13. Trash Removal - \$79 increase.
14. Water - \$488 increase due to 8% rate increase.
15. Sewer - \$1,182 increase due to 8% rate increase.
16. Window Washing - \$1,000 increase as it was not done this past year. Mike Black said all windows should be washed except for the sliding glass doors on the decks.
17. Fire Protection - \$47 increase.
18. Repair and Maintenance - \$1,769 increase to keep at 2007 Budget level.
19. Spa Supplies - \$209 decrease.
20. Insurance - \$1,334 decrease due to umbrella policy discount. Kevin Lovett was directed to increase the last two months by 3% (\$280) and to decrease the Contingency account by that same amount.
21. Spa Water and Sewer - \$56 increase due to 8% rate increase.
22. Maintenance/Security - \$210 decrease to maintain 2007 Budget level.
23. Upper Spa R&M - \$237 increase to maintain 2007 Budget level.
24. Lower Spa R&M - \$1,748 increase to maintain 2007 Budget level.
25. Replacement Accrual - \$5,640 increase.

The 2008 Budget will be updated in December and ratified in January 2008.

X. SET NEXT MEETING DATE

The next Board Meeting was set for January 12, 2008.

XI. ADJOURNMENT

With no further business, the meeting was adjourned at 1:00 p.m.

Approved By: _____
Board Member Signature

Date: _____