

**VILLAS AT PROSPECT POINT ASSOCIATION
ANNUAL MEETING
August 21, 2004
Frisco, Colorado**

Board members present were:

Rob Bullard, President, #1505/104	Joe Woodrow, Treasurer, #1517/201
Tony Peterson, Vice President, #1515/203	Ingrid Vanni, Secretary, #1509/203
Lynn Meyer, Member, #1509/102	

Villas at Prospect Point homeowners in attendance were:

Wes Hartman, #1501/202	Jim & Arlene Dinkel - #1501/203
Gary & Marcia Valbert, #1503/102	Nancy Lee, #1503/204
Pamela Murano, #1507/203	Peter Hewett, #1509/206
Kevin & Kristy McClain, #1511/206	Sid Rubinow, #1511/208
Sean Cavins, #1517/102	Scott McLean, #1517/204
Marshall & Sharon Costantino, #1519/101	Brenda Lloyd, #1519/102
James & Donna Remster, #1519/104	Tom & Gigi Hillyer, #1521/202
Scott Morlan, #1521/204	

Representing ResortQuest were Janet Scervino and Greg Moses. Erika Krainz was recording secretary.

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I. CALL TO ORDER

The meeting was called to order by Rob Bullard, President at 10:05 a.m. With twenty units represented in person and thirteen proxies received, a quorum was reached.

II. PRESIDENT'S REPORT

Rob Bullard reviewed activities over the past year. Work continued on the drainage remediation project. A Special Assessment was levied for the Drainage Remediation Fund, which is being collected over twenty-four months. The project was paid for with a loan from the Reserve Fund, which is now being repaid as the Special Assessment is collected. The project should come in on budget, and the last collection of the Special Assessment will be in September 2005.

There were initially twelve projects identified; eight have been completed, one was cancelled, and three are ongoing (the 1503 roof extension, 1501 and 1521). The solutions for the negative drainage issues were developed, bids were received and approved, and the Board is now waiting for two contractors to schedule the work. They should complete the work this year. All atriums were reworked. Last winter the results were encouraging, but the final success will not be determined until at least one more winter has passed.

Another problem was identified with the flat roofs on the ends of some buildings. The flat roofs are gradually being replaced (there are twenty-two of them). The solution developed by Turner Morris has worked very well.

The final projects related to ground drainage around the complex, aiming to move water away from the foundations.

In other achievements, the Board is changing their focus and changing the relationship with management, i.e. granting more responsibility and avoiding micromanagement.

The greatest lesson learned was related to the required lead time on projects. Typical turnaround times have been measured in months, so the Board has to anticipate in the fall the projects they want to accomplish during the next year.

One new area of focus will be to improve the overall appearance of the property.

One of the main disappointments was related to lack of reliability and punctuality from the contractors. The concrete project did not happen as promised last year. This will be scheduled for next year.

The focus going forward will be on strategic financial decisions, the relationship with ResortQuest, and Reserve Fund decisions.

III. REVIEW MINUTES OF PREVIOUS ANNUAL MEETING

A motion was made and seconded to waive reading of the minutes. The motion carried.

A motion was made to approve the minutes of the August 23, 2003 Annual Meeting as presented. The motion was seconded and carried.

IV. TREASURER'S/FINANCIAL REPORT

Rob Bullard explained that the Association has three separate funds; Operating handles ongoing expenses, Reserve handles replacement of common assets, and the Drainage Remediation Fund was created last year to collect the assessment for the projects.

A. Ratification of the 2004/2005 Budget

Rob Bullard explained past Boards supported a philosophy whereby large projects were funded through Special Assessments. The current Board feels it is better to build the Reserve Fund. Next year will be a big expense year, since the buildings are scheduled to be painted. The current cost estimates are \$15,000 for a twelve-unit building and \$10,000 for a six-unit building. As of June 1, 2005, there will be \$49,000 of available Reserve, excluding the two months of dues held in Working Capital as required by FNMA for financing.

There are two possible outcomes of this budget discussion. The owners can choose to ratify both the proposed Operating and Reserve Budgets, or they can

ratify the Operating Budget but not the Reserve Budget. If both Budgets are not ratified, there will need to be another owner meeting, which is more time and expense for the owners.

The ideal situation would be to get the buildings on a rotating painting cycle. The cycle could be six years, with two buildings scheduled each year.

Option 1: Paint trim and siding on all buildings, then phase into a six year cycle. This would result in an \$88,000 shortfall in the Reserve Fund. This could be addressed with short term funding through Alpine Bank.

Option 2: Paint all trim next year and siding on five buildings, then paint the siding on the six remaining buildings. This would result in a \$46,000 shortfall in the Reserve Fund.

There is a Reserve Study, but it was done in 1997 and was last updated in 2002. It follows the philosophy of purposely underfunding, so the Board feels it should be redone with a different funding approach.

There are two other proposed increases. Concrete work is budgeted for a \$6,000 increase. Rob acknowledged there was not a lot of "science" in that number, but some money needs to be collected for the project.

The other expense is \$7,000 for landscaping, particularly the grass in the "wild areas". Hydroseeding attempts have failed due to a lack of topsoil and irrigation. The Board has decided to try naturalization of the area without irrigation. This will entail removal of all existing soil, adding fresh topsoil, reseeding and installing temporary irrigation (sprinklers).

The Operating Budget increase is only about 4%, but the proposed Reserve increase is about 25%; an owner said he would hesitate to approve it without having it sent to all owners first. The owner suggested forming some committees to assist the Board. Rob said that would be welcome, but they have not had success with getting owner participation on committees in the past.

Discussion returned to the Operating Budget. Rob reviewed the dues changes. The most significant increase is the addition of an audit, which has never been done in the past seven years. The estimated expense is \$1,800. The landscaping increase will cover a \$3,000 expense to have cottonwood trees removed in order to prevent damage to the foundations.

A motion was made to approve the Operating Budget as presented, including a 4% increase, with a bottom line of \$223,404, the Reserve Fund at \$94,004, and the Drainage Fund at \$24,996. The motion was seconded and carried.

An owner suggested replacing the original poor quality construction materials (as necessary) with higher quality materials to extend the life of the buildings.

An owner said the Association needs to accumulate funds for projects, and wondered if the assessments could be phased in gradually instead of having a 25% increase all at once. Rob said this would have been possible if the collection had started earlier, but at this point a phased approach would not provide adequate funds for upcoming projects.

V. NEW BUSINESS

A. Election of Directors

There are five Board positions with staggered terms. Lynn Myer was appointed to fill Gene Wakefield's seat, so if she would like to continue to serve on the Board, she will need to be elected by the membership.

Rob Bullard reviewed the existing committees, which include Engineering, Landscaping, Architectural Review, Rules, and Finance. Any owners interested in serving on a committee were encouraged to provide their names and contact information.

Four Board seats were up for election; Joe Woodrow's term expires in 2005. Rob Bullard, Ingrid Vanni and Tony Peterson all indicated they were willing to serve another term. Lynn Myer said she was not.

A motion was made to nominate Rob Bullard, Ingrid Vanni and Tony Peterson. The motion was seconded. Ingrid then indicated she would prefer not to run if there were other owners interested in serving on the Board.

A motion was made to nominate Kevin McClain.

A motion was made to nominate Scott McLean.

Janet Scervino said Virginia York had indicated she was interested in running, but there was no nomination from the floor.

A motion was made to close nominations and they were closed. The candidates introduced themselves.

Ballots were tallied and Rob Bullard, Tony Peterson, Kevin McClain and Scott McLean were elected to serve.

B. Cable TV Fee Allocation

Rob Bullard explained that in 1996 and 1997, all expenses in operating, except for cable TV, were allocated according to the sharing ratio for each unit. That

changed when dues were recalculated in 1998, at which time cable was incorporated into the expenses divided per the sharing ratio. Per the Declarations, all common expenses should be shared per the ratio.

Rob turned the chair over to Tony Peterson. He clarified that the owners were being asked if they wanted to recalculate dues with cable television being allocated equally among all units. He pointed out the potential "slippery slope" that could result if this was done; it could lead to other charges being disputed. The letter of the controlling documents provides for the assignment of expenses among all who share a common benefit of a certain amenity. Therefore, roofs could be assigned to the individual owners in the building. The Board has shied away from this approach. On the other hand, some expenses seem really obvious, such as cable television. The bulk contract is written to cover the expense of one outlet per unit, and additional outlets are billed directly to the owner. This is not consistent in actuality, but it a very small expense on an annual basis.

There was no motion to reallocate the cable charges, so the expense will continue to be billed per the sharing ratio.

VI. SET NEXT MEETING DATE

The next Annual meeting was set for Saturday, August 20, 2005.

VII. ADJOURNMENT

With no further business, a motion was made to adjourn until August 20, 2005. The motion was seconded and carried at 12:00 p.m.

Approved By: _____
Board Member Signature

Date: _____