

MINUTES
SNOWDANCE MANOR CONDOMINIUM ASSOCIATION
BOARD OF MANAGERS MEETING – SEPTEMBER 21, 2012

Board of Manager's meeting was called to order by Ms. Marie Cramer, Association President at 5:30 P.M., Young Realty's office, 23024 U. S. Highway, Keystone, Colorado.

Persons present at the meeting:

Marie Cramer, President

Paul Tosetti, Secretary/Treasurer

Russell G. Young, Managing Agent

A quorum was present with two board members in attendance.

The purpose of this meeting was to review the agenda material for the annual homeowners' meeting to be held at 9:00 A.M. on Saturday the 22th of September, 2012.

Mr. Young stated that besides the two Board members and Mr. Young, there would be approximately twelve owners represented at the annual meeting. The required quorum would be present in person and by proxy.

Ms. Cramer indicated that she would request the attending homeowners to introduce themselves at the annual meeting. Mr. Young stated that he had prepared an owner sign-in sheet for the meeting.

Ms. Cramer indicated that she would entertain a motion at the annual meeting to accept the September 24, 2011 annual meeting minutes as written on pages 1 through 8 of the agenda packet.

A discussion ensued regarding Mr. Zurnini, the new owner of Unit 405. Mr. Zurini has had several issues relating to his unit's security, operating budget, etc.

The status of the Association's tax returns was reviewed by Mr. Tosetti. Mr. Tosetti stated that the 2010 tax return was amended and re-filed and the 2011 tax return was also corrected and electronically filed on time. Mr. Tosetti stated that the Association has just over a \$100,000 NOL as a carry forward.

Mr. Young reminded the Board that the \$10,000 accumulated operating surplus at the end of the 2011-12 fiscal that was transferred from operating account to the reserve fund per the Board's approval requires an owners' approval vote at tomorrow's annual homeowners meeting to satisfy the IRS requirements. If the \$10,000 had not been transferred to the reserve fund, it would have become "taxable income" to the Association.

Proxies for non-attending owners were discussed. Ms. Cramer reported that she had contacted the owners who would not be attending the annual meeting and requested them to assign their respective proxies to one of the Board members instead of Mr. Young as had been the practice for 25 years. This change in procedure would limit any potential future conflict of interest and would still provide the required quorum.

The next item of discussion was the Manager's Report on Page 9 of the agenda packet. Mr. Young reviewed his report with the Board members and was requested to review it at the homeowners' meeting.

The next item of discussion was the Insurance Report on Page 10 of the agenda packet. Mr. Young reviewed the Insurance Report with the Board members. Ms. Cramer would review the insurance detail at the annual meeting.

Mr. Tosetti asked Mr. Young why the insurance premiums had increased during 2002 through 2006 as indicated on Page 15 of the agenda packet. Mr. Young stated that during that time the Association had a number of insurance claims, including a slip-in-fall in the hot tub that caused Allstate Insurance to increase their premiums and eventually cancel the Association policy. Also, the insurance industry had become very volatile during that time period due to floods, Katrina, etc. In May 2007, The Travelers Insurance presented a very competitive proposal, which was accepted by the Association. There have been no insurance claims since the Travelers involvement. Prior to the May 10, 2012 insurance renewal date, Mr. Young had approached three independent insurance agents for proposal. The three independent agents were The Insurance Company of the Rockies (Frisco), Arrow Insurance (Breckenridge) and Freeman Insurance West (Denver). Mr. Gary Freeman, co-owner of Unit 202, is the owner of the Freeman Insurance West. Mr. Young stated that Mr. Freeman would be attending tomorrow's annual meeting and would probably voice his displeasure regarding the bidding process. Mr. Young stated that he had provided Arrow Insurance and Freeman Insurance with a copy of existing The Travelers insurance summary including premium amount. Freeman Insurance used Acuity as their underwriter, Insurance Co. of the Rockies used The Travelers and Arrow Insurance used United Fire. Since Mr. Young was not familiar with Acuity, he asked Insurance Co. of the Rockies and Arrow Insurance if they were familiar with Acuity. Insurance Co. of the Rockies responded that they were familiar with the company, but did not use their underwriting services. Arrow Insurance said they had

used Acuity, but were surprised that Acuity would bid on Snowdance Manor due to the fact that Snowdance Manor had wood-burning fireplaces, over 10% rental units and permitted BBQs on the balconies. During the process, Arrow contacted Acuity without Mr. Young's knowledge and inquired about the Snowdance Manor coverage. The Acuity underwriter told Arrow Insurance that they were not aware of the Snowdance Manor special characteristics, i.e. wood burning fireplace, over 10% rental units and BBQs on the unit balconies. After Acuity discovered these issues, they had increased their proposed premium rate. On April 27, 2012, Mr. Young contacted Susy Fischer (Gary Freeman's daughter) of Freeman Insurance West via e-mail and stated the following: "Recently, I have been doing some research on Acuity and have learned that Acuity will not insure HOAs that have (1) more than 10% rental units; (2) have wood burning fireplaces; (3) and allow BBQ on the balconies. Snowdance Manor does meet those restrictions. Thus, if that is the case, Acuity is not a viable insurance carrier for Snowdance Manor. Your comments please." Ms. Fischer responded via e-mail as follows: "My but you have been doing your homework. Acuity's appetite is either wood burning fireplaces or short term rental – but not both. Per my discussion with the underwriter, they are not concerned about BBQs on the decks. Having said that, SDM does have wood burning fireplaces and short term rentals are more than incidental so the price on the quote that I provided with Acuity has gone up to a total of \$9,899 annually. That includes the \$2mill umbrella." Mr. Young's next e-mail communication was on April 27, 2012 asked "For my reference, please provide a quote based on 100% replacement value." Ms. Fischer responded on April 30, 2012 as follows: "Russ, I received a call from my underwriter at Acuity this morning stating that another agent was questioning her about the quote I provided to you for Snowdance Manor. I provided this quote to you in good faith with the understanding that it was a work product of Freeman Insurance West, and therefore confidential in nature. I am greatly disappointed that my quote/product has been shared

and questioned by another agent to the extent that Acuity, in essence, was called behind my back. Insurance is not a commodity but a working partnership and since our partnership has already been compromised, I hereby withdraw the quote with Acuity." Ms. Cramer said that it was very common to have independent agents compete against each other, i.e. making them aware of competing proposals in order to achieve the best premium.

Mr. Young entered into these minutes his final e-mail response to Ms. Fischer as follows: "Sorry to hear that you have withdrawn your Acuity proposal. I accepted your Acuity proposal in good faith, but at the same time, I had a fiduciary responsibility to perform due diligence in exploring the insurance options on behalf of the Snowdance Manor Condominium Association.

You had presented your first Acuity insurance proposal for Snowdance Manor on November 23, 2011 with an annual premium quote of \$8,300.00. Your second Acuity insurance proposal was presented on April 24, 2012 with an annual premium quote of \$7,943.00. During this initial process, you were made aware of The Travelers' schedule of coverage for comparison. Based on your last Acuity April 24th quote, I had some concerns about the low premium quote and the fact so many other insurance carriers had declined to quote on our building. During the month of April, the Insurance Company of the Rockies (agent for The Travelers), as an independent insurance agent, had been searching for any other insurance quotes other than The Travelers. They did not have an agency relationship with Acuity, thus there was no contact with the Acuity underwriter. I also asked another independent agent in Summit County, who I had dealt with for over 30 years, to attempt to secure competitive quotes. This independent agent could only secure one quote (not Acuity), which was not competitive. Since they have had an agency relationship with Acuity for some time, they did have a conversation with the Acuity underwriter and discovered that

Acuity was surprised to learn that Snowdance Manor had a large number of short-term rental units, wood-burning fireplaces and BBQs on the balconies. Acuity's underwriter indicated to this independent agent that they would not provide a proposal for Snowdance Manor based on the unit wood-burning fireplaces and the large number of rental units.

After I communicated these Snowdance Manor buildings issues noted above to you, you provided another Acuity proposal on April 27, 2012 with an annual premium quote of \$9,899.00 or a 25% premium increase over your April 24, 2012 proposal.

If Snowdance Manor had not renewed The Travelers policy on May 10, 2012 in lieu of accepting your Acuity proposal, and the Acuity underwriter later discovered the undisclosed and unacceptable building details upon subsequent inspection, the premium could have been increased or the Acuity policy could have been withdrawn all together. If that had happened, The Travelers would not have accepted Snowdance Manor back under their program after its policy had lapsed. Under that scenario, Snowdance Manor could have been faced with a substantial premium increase based on the two other non-Travelers quotes that had been received. Since The Travelers had insured Snowdance Manor since 2006, we have become "grandfathered" in under their existing program even though Snowdance Manor has a large percentage rental units and wood-burning fireplaces.

Again, I am sorry things didn't work out with your agency, but I do appreciate your efforts in attempting to secure insurance coverage for Snowdance Manor."

The remaining two insurance proposals had been presented to the Board in early May 2012 and the Board agreed to stay with The Travelers policy.

Ms. Cramer would remind the attending homeowners at tomorrow's meeting that all owners should review their individual unit insurance policy to be certain that in the event that any water leak that affects the units below, their respective insurance policy would in fact cover all loss/damage to any property outside their respective unit.

Ms. Cramer concluded the review of insurance.

The next item of discussion was the review of the 2011-2012 Year-End Statement of Operations on Pages 11 through 14 of the agenda packet. Mr. Young referred the Board to Page 12 of the agenda packet. Mr. Young noted the \$400 Miscellaneous Income and stated that this income was from the rental of the covered parking by a Snowdance guest for a period of four months. Mr. Young also reminded the Board to obtain the owners' approval at the meeting for the \$10,000 June 30, 2012 Year-End operating surplus transfer to the Reserve Fund.

The next item of discussion was the review of the 2012-2013 Approved Operating Budget on Pages 15 through 22 of the agenda packet. Mr. Young reviewed the Operating Budget with the Board and reminded the Board that the new operating budget was sent to all owners in June 2012. After a brief discussion, Ms. Cramer asked Mr. Tosetti to review these financial reports at tomorrow's annual meeting.

The next item of discussion was the review of the 2012-2013 Year-To-Date Statement of Operations on Pages 24 through 27 of the agenda packet. Mr. Cramer requested Mr. Tosetti to review these reports at tomorrow's annual meeting.

The next item of discussion was the Reserve Fund report and analysis on Pages 28 through 34 of the agenda packet. Mr. Tosetti asked Mr. Young if

the reserve fund analysis was calendar year or fiscal year. Mr. Young responded that the Reserve Fund analysis was on a calendar year. Mr. Tosetti mentioned that the Association could only generate taxable income from the operating activity and operating expenses should not be run through the reserve fund, for example painting expense. Mr. Young responded that after discussions with a CPA and Vail Resorts Property Management General Manager, painting is generally listed on the Reserve Fund Analysis for planning purposes, but such operating expense would be treated as an operating expense on the tax return preparation. Mr. Tosetti also commented that the Association should put a minimum expenditure level for the reserve fund (\$1,000) and only capital items should be run through the reserve fund. Mr. Tosetti further commented that due to the recent Federal Reserve initiating another QE3, the interest rate return is declining further to almost nothing. With that in mind, Mr. Tosetti suggested the reserve fund contribution should be reduced at the mid-fiscal year from \$74,000 to \$58,000 to be effective January 1, 2013 in order to further reduce the owner's dues assessment. After a thorough discussion of the reserve fund, Ms. Cramer requested Mr. Tosetti to review the Reserve Fund documents at tomorrow's annual meeting.

Mr. Young reminded the Board that he had prepared notebooks of all the Snowdance Manor legal documents, i.e. Articles of Incorporation, Declarations, Bylaws, Rules and Regulations and Goals, Policies and Procedures Manual for all the attending owners at the annual meeting. Ms. Cramer stated that she would review the Organization Chart and Responsibilities at the time the legal documents are past out to the owners.

Ms. Cramer reviewed the unit door lock option, i.e. Resort Lock. This was the type of lock approved and installed on Unit 204 during the summer. The Board has only approved the Resort Lock as a replacement for the originally installed Arrow locks. Resort Lock brochures will be handed out

at the annual meeting. The Resort Lock and installation would be approximately \$380.

Ms. Cramer will update the owners at the annual meeting regarding the status of the Snowdance P.U.D.

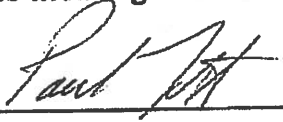
Mr. Young provided the Board with a copy of a recent report on the Keystone Condominium Common Maintenance Labor Cost Comparisons (see attached). This report compares 29 Keystone associations with regard to annual per unit labor costs to maintain the common areas. A Snowdance Manor on-site maintenance person is more cost effective and provides more rapid and personal attention than a centralized maintenance service such as Vail Resorts.

Ms. Cramer commented that she would update the attending owners on the change of owner unit usage status. At this time, there are 14 short-term rental units, 13 owner use only units, 3 long-term rental units and 1 owner permanent resident.

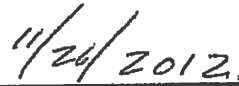
Ms. Cramer reported that many of the owners have requested recycling service at the dumpster location. Ms. Cramer said that any recycling service would also have to be approved by the Snowdance Condominiums. The Snowdance Board will be meeting on October 7, 2012 for a final decision.

Ms. Cramer reported to the Board on the cost of unit living room window/door replacements for the future. One Sierra Pacific clad three panel door/window set with custom color exterior would be \$5,670; 6 or more would be \$3,500. Sliding door systems would be approximately \$400 less. Delivery charge would be \$175 and installation would be approximately \$800.

After a final review of next day's meeting agenda packet, Ms. Cramer adjourned the meeting at 7:44 P.M.



Paul Tosetti, Secretary



Date