

CROSS CREEK ASSOCIATION, INC.
Annual Homeowners' Meeting
September 4, 2005

CALL TO ORDER

David Falk, HOA President, called the CCA Homeowners' meeting to order at 5:21 p.m. on September 4, 2005, in the Conference Center Building at Cross Creek Condos in Frisco, Colorado.

Owners Present

UNIT #	OWNER (S)	
102	Lindee Sebald	
202	Mr. And Mrs. Horn (Carol)	Board Member
204	Robert and Gayle Rappold	Board Member
208	Karen Warrick	
206	David Falk	Board Member
300	Donald Crino	Board Member
305	Julian Gelfand	Board Member
306	Daniel and Jean Spivack	
307	Timothy Nimmer	Board Member
308	Rob Luhrs	Board Member
310	Ellie Quick	
311	Bryce Hunt	Board Member

Owners Represented by Proxy

UNIT #	OWNER (S)	PROXY TO
100	Max Zweig	President
101	Tom Keltner - Board Member	President
106	Mark D. Campbell Trust	Tom Hallin
201	Dean and Tracy Dowson	President
203	Paul Sale	Bob Rappold
211	John Helbig	President

The owners present and represented by proxy represented a quorum as required by the Declarations.

Representing Wilderwest were: Barb Walter-Director of Operations, Ana Flores-Resident Manager, Amy Banaszewski-HOA Liaison and Daniel Vlcek - Director of Off Mountain Properties.

APPROVAL OF MINUTES

RESOLUTION: Upon motion made, duly seconded and unanimously approved, the minutes of the September 5, 2004, Annual meeting were approved as written.

REPORT OF PRESIDENT

Mr. Falk began his report thanking Ana Flores and WPM for the great service they have provided at Cross Creek. Mr. Falk also mentioned the short-term rental numbers were up again, thanks to WPM. All current and new owners were welcomed to the meeting.

REPORT OF MANAGEMENT

- Ms. Walter introduced Mr. Daniel Vleck, the Off Site Director of Property Management who is Ana's supervisor, and Amy Banaszewski, the HOA Liaison.
- Various brochures were available to owners; these include information on the area and the short-term rental program, as well as the Wilderrest Property Management VIP card for various discounts throughout the county.
- Please remember to visit the Cross Creek HOA website at www.wilderresthoa.com; password is *Frisco*. The action list is also posted on this website.

FINANCIAL REPORT

- **Major Maintenance Charts**
Three Major Maintenance Charts have been developed for the complex, one for the Center Building, the 100 building and the 200/300 buildings. These charts are 20 year planning tools to schedule when and how major upgrades and repairs will be addressed. The charts constantly change and are a work in progress. Actual costs of projects will be plugged into the chart as work is completed. Ms. Walter indicated that the association must keep a close eye on the year-end balances to confirm that the Reserve Accounts maintain sufficient funds to cover any planned projects. WPM and the BOD have started to insert estimated costs for projects in future years and will continue this process.
- **Budget Proposal**
The budget proposal was discussed at the Board meeting prior to the Annual meeting. Changes were made and Ms. Walter presented the revised budget line by line as approved by the Board earlier in the evening.

A significant expense for the HOA, one which is difficult to predict, is the increased cost of gas. The big question for all entities which consume natural gas is whether the cost will rise as much as the projected 70%. In response to this question, the Board decided to keep the dues at the same amount and reexamine the HOA's financial position after the 1st of the year, or approximately six months into the new fiscal year. A possible gas assessment will be considered at that time.

RESOLUTION: Upon motion made, duly seconded, and unanimously carried, the budget was approved as amended by the Board of Directors with no dues increase.

Board member, Rob Luhrs, will be available Saturday, October 15, 2005 at 9 a.m. in the Center Building if any owner has questions on the Board approved budget. If any owner does not approve the budget, he must reject it by this date by email to any Board member.

- **Annual Meeting Change**

One change the new Senate Bill 100 will bring to all associations is the mandate that all homeowners will need to ratify the budget as approved by the Board. Discussion ensued regarding whether to change the annual meeting date in order to allow the homeowners' ratification to occur at that meeting. It was decided that Cross Creek Association will continue to have its Annual meeting over Labor Day weekend; however, they will "fine tune" the mailing date of the notice with the future proposed budget in order for all homeowners to ratify the proposed budget at the Annual meeting.

At this point, due to many late arrivals at the meeting, Ms. Walter reintroduced all in attendance and recapped the previous budget discussion.

- Ms. Lindee Sebald addressed her continuing concerns regarding the preparation and presentation format of the Association financials. Attached to these minutes is a written statement from Ms. Sebald. An example of one concern is the equity of the Resort Rentals Inc. On the balance sheet for the CCRR the equity is zero; line item #150 on the CCA balance sheet states an amount of \$23,881.87. The Controller at WPM will work with Ms. Sebald to resolve any outstanding issues and questions. This item will also be added to the action list.
- WPM will also confirm the balance of line item #404 - the current year income in Replacement Reserves.
- As of July 31, 2005, the HOA assets were \$396734.58 and the liabilities were \$49355.60, resulting in equity of \$347378.98. Ms. Walter made a point of explaining that CCA has 3 different Reserve Accounts. One is for the Conference Center, one for the 200 and 300 buildings and one for the 100 buildings. Ms. Walter explained various increases in expenses in addition to the status of the actual numbers versus budgeted numbers thus far in the fiscal year.

OLD BUSINESS

RESOLUTION: Upon motion made, duly seconded, and unanimously carried, it was approved to add High Speed Internet to the Center Building for \$120 per month.

The Board will review the budget again in six months and revisit the idea of adding High Speed Internet to individual units at that time. Mr. Tony Snyder has received an offer from Comcast to install high speed Internet in all units for \$17.95 per month only if 100% of the units sign up for the service.

NEW BUSINESS

A comment was made that the landscaping at Cross Creek "could look better." The Board will keep this comment in mind as they look towards the future of the property. An owner offered to work directly with Ms. Flores to make improvements next spring.

Another comment was offered regarding the marketing website for Cross Creek (www.crosscreekfrisco.com); an owner expressed his opinion that it was difficult to locate the desired rental information. These concerns will be addressed and reported on at the next meeting.

ELECTION OF DIRECTORS

Mr. Tom Keltner would like to resign as a member of the board. A slate of the current Board members plus one additional new member to replace Mr. Keltner was presented. The new member is Mr. Daniel Spivak (owner #306).

RESOLUTION: Upon motion made, duly seconded, and unanimously carried, the following slate of nominees was unanimously elected to the CCA Board of Directors: Rob Luhrs, Dave Falk, Carol Horn, Julian Gelfand, Bob Rappold, Daniel Spivak, Don Crino, Timothy Nimmer and Bryce Hunt.

Officers for the Board will be determined at the Board meeting following both Annual meetings.

ADJOURNMENT

The meeting was adjourned at 7:10 p.m.

Re: Cross Creek Condo Association and Cross Creek Resort Rentals

Status of Accounting Issues

My last communication from Laura Snow was dated November 10, 2004 - a memo titled "Outstanding Issues" and included a letter from Roger Swift dated November 8, 2004. However, there has never been a satisfactory response to the specific accounting issues that have been raised several times. It is surprising that there has been such difficulty correcting bookkeeping issues. The most recent CCCA and CCRR financial statements available on the website (or via the accounting department) are for the period ended 7/30/2005. Based on my limited analysis of the CCCA and CCRR financial statements for the period ended 7/30/2005, it appears that although some adjustments were made, the significant issues have not been adequately addressed or no action has been taken.

The main outstanding issues are:

1. Proper accounting for Equity in Resort Rentals on the Financial Statements of Cross Creek Condo Association.
2. Consistent treatment of assets transferred from Resort Rentals to the Association.
3. Treatment of Insurance Reserves
4. Previously filed consolidated tax returns.

Further detail discussion of these issues follows.

Equity in Cross Creek Resort Rentals

At the end of fiscal 2003, there is Equity in Resort Rentals of \$28k sitting on the financial statements of CCCA. We proposed adjustments to the 2003 financial statements which would have resulted in a balance of only \$1,799. The July 31, 2005 financial statements of Cross Creek Condominium Association, Inc. shows a balance of \$23,881.87. However, the balance sheet of CCRR shows zero assets. If there is really an investment, it has to be supported by real assets. The board is obligated to ask the simple question. Is this \$28k cash or something else? If so, what is it?

Without any assets remaining in CCRR, it is difficult to understand why CCRR still exists - is a separate entity needed to contract for rental services? Do other HOA's have separate entities for this purpose? With the loss of the in-house management/rental services, why is CCRR is needed? Has an attorney been consulted on the question?

There was a special assessment of \$1,000 per participant to provide funds for Cross Creek Resort Rentals with a promise that at the end of the fiscal year 2003, any funds not needed would be returned pro-rata. There is a question as to whether this was an assessment covered by CCIOA 33-3-314 requiring refunds since CCRR is a separate corporation owned by a CCIOA entity, CCCA. However, the Treasurer's promise should be sufficient. The assessment should be either accounted for or returned.

There was an owner reserve of \$16,316.24 as of 9/30/2003 that Snow agreed needed to be adjusted, however, this adjustment was not made until the next fiscal year.

There was also a donation expense of \$15,549.07. Our contention, was that the transfer of property from one related entity to another should be treated as an equity transfer by both entities. However, it was treated as an equity transfer on the books of CCCA and as donation expense on the books of CCRR. According to Roger Swift's memo, if the property transferred still had value, which a new phone system certainly had, the basis should be transferred at book value. It can't be expensed on one side and recorded as an asset on the other. There is \$9,545.45 on the books as a CCRR asset. What is it? CCRR also had computers that continue to be used and software that was abandoned. There was a detail of the CCRR assets so this should not be hard to handle.

Linens and Supplies

There were large amounts of supplies taken over by Wildernest for their exclusive use. Has CCRR been reimbursed for these supplies? It would be easy to estimate because the supplies were restocked just prior to their takeover. Also, there are valuable linens in storage that should be sold or given pro-rata to the owners involved in the program at the time of effective dissolution.

Insurance Reserve Fund

According to Colorado Law, CCIOA 33.3.314, assessments should be used for the stated purpose and the surplus returned or credited. It is our understanding that this takes a vote of the owners. In fiscal 2003, insurance assessments were made based upon the cost of insurance for buildings with different fire ratings. Owners were assessed

differently depending on which building they were in. These assessments were specifically for insurance and were kept in a separate account. When Wildernest took over, these amounts were transferred into reserve accounts but were not segregated specifically for insurance. I suggested that the amounts not spent for insurance should be credited back to the specific owners' assessed in the amounts they were assessed. We do not believe that the board has the authority to keep funds not needed without owner approval. Snow's response was that the Board merely needed to resolve that funds not expended were needed for other reserve fund purposes. In the past, the insurance funds were never co-mingled and always designated just for insurance. Her perspective is that owners do not like receiving credits and then being assessed again. It is a hassle to do. You have to figure out the exact amounts to be credited to the specific owners and then you have to reassess. Why bother - you have already collected the funds - might as well keep and use for other things. That is not what the law requires.

Current Assessments for Insurance

CCIOA Section 33.3.315 (c) mandates that the cost of insurance shall be assessed in proportion to risk. There are fire sprinklers and fire alarms in 321 and 323 Buildings that should have lowered the risk. Has the board reviewed the actual insurance policy and determined that costs are allocated in accordance with risk? Please explain.

Consolidated Tax Returns

It is also my understanding that the tax return was not amended for the year ended September 30, 2003. With respect to the adjustment to the tax return noted above I believe amounts on the return between CCCA and CCRR are not presented correctly. It would be my preference to correct by a simple amended return so that errors are not carried forward when preparing the next year's return.

IRS Code issues - There is still a difference of opinion here on whether Section 277 applies. I am aware that another Summit County HOA has applied and received refunds for taxes paid based on interest on reserve funds, pop machines, etc. based upon the recent tax court case that I found as well as Section 33.3.314 of CCIOA. They did this by refunding the amounts involved to the owners. I have not seen the tax return for fiscal year ended 9/30/04 - I don't know how things were treated and if any changes were made in terms of approach.

Linda H. Sebald, representing ownership of Unit 102