

FIRST DRAFT

Gray Head Property Owners Association

Annual Meeting Minutes

August 31, 2006

The meeting was called to order at approximately 9:05 MDT by Chairperson Steven Catsman at the Gray Head office located at 135 West Colorado Ave., Telluride, CO.

Steve asked Jeanne, the Secretary to the Board to call roll. On Conference phone were John Morgan of STAM (2 lots), Ralph Booth of Hawn Mountain (4 lots), and Stephen Phinny (4 lots, excluding Parcel D) representing Gray Head. Present at the meeting were Susan Hepner (1 lot), Carl Ferenbach (2 lots), Terry and Steve Catsman (1 lot). Jeanne Buck held the following proxies, Barnett (2 lots), Ken Rice (2 lots), and Val and Stuart Ross (2 lots). The total of lots present was 20 lots, 20 lots out of 23 lots is 87%. A Quorum was established. In our bylaws a quorum is only 20%. According to CIOA (Common Interest Ownership Act) the minimum for a quorum is 20%. Susan Hepner thought that this percentage should be increased with a motion to be made under "new business."

Foreman Report

Lara and Mike Young were present to present the "condensed" Foreman Report. A copy of the entire Foreman's Report will be attached to the minutes.

Plowing:

For the last 2 years Mike has used the Gray Head plow truck to keep the roads open to Gray Head and on Gray Head as opposed to contracting snowplowing. When there is heavy snow cycle, Mike does bring in a backhoe to open up some bad spots, especially on Wilson. This saves about \$6000 annually.

Ice Rink

Every season frost mold develops on the lawn so this season we will move the rink to the tennis court. Lighting will also be installed.

Event Rentals

At last year's meeting a motion was passed to raise the event rental from \$2000 - \$3000 per event to \$4000 per event. Consequently there was only one wedding event scheduled this past summer season. The number of events for the summer is limited to 3 events. The primary space used is the lawn outside of the cabin. The cabin is for the use of the

bridal party exclusively. Lara suggested that we lower this event cost to \$2500 just to generate some income. Catsman expressed that the real issue is if we want this type of usage on the cabin in the future. Now with 20 homes under construction and complete we will have more homeowners on site and using the homeowner's cabin. A motion regarding this will be made under other business.

Canadian Thistles

Mike has done a "thistle" attack. The main area where he has worked this attack is Wilson Way, the Cabin, Hawn Lane and Stairway to Heaven. If homeowner's see hot spots please report them to Mike and Lara. Thistles will appear in any disturbed areas. In the past 10 years with the development of Gray Head they have become invasive in the areas of the road, trails and residential development.

Homeowner Lockers

Mike constructed homeowner lockers at the cabin available to the homeowners. Name plates will be placed on the individual lockers. Please contact Mike and Lara with what you would like on your locker.

Pond

Both the pond at the cabin and Steve and Terry's pond have done very well this year. Mike and Lara have developed a good system of treating them. Anyone interested in putting in a water feature contact Mike and Lara for advice. Mike and Lara have also found a great source for Rainbow trout.

Lightning

This past summer there was a direct hit of lightning on the Catsman's house. Mike and Lara recommend that lightning rods be installed.

A baby elk was born at the cabin this past spring.

Mike and Lara have been working on a relationship with the County Road's Director. The county is really not required to do regular maintenance on the Last Dollar Road. Luckily they have been able to negotiate road work done from the bottom of Deep Creek to the top of Last Dollar. In addition we will have to do a little more work on some pot holes and washboard. Mike will contact Telluride Gravel, Williams and S & J for some estimates. He would like some road base on some troublesome spots and maybe widen the turn

Ralph Booth asked that if in the future with more building of residences at Gray Head will the County be required to take on more responsibility of the road maintenance. Lara has a letter from the County Road Director that outlines a mil levy for such road work that was not passed in an election. Steve Catsman would like to take this to the County

attorney along with the tax assessment dispute arguing that with the increase in taxes there is some accountability of the commissioners and attorney to provide further road maintenance from the county. We do have some leverage with the county as once you enter the Gray Head boundary, Last Dollar road belongs to Gray Head, it's private. The lot lines are to the center of Last Dollar Road. The County maintains that through eminent domain and the fact that it is a four wheel drive road it needs to be open. However, since it cannot be used as a four wheel drive road in the winter at that point in time we could make it a private road with gates, etc.

Website

There is a Gray Head Owner Website that was developed this past winter. The web address is grayheadowner.com. Individual homeowners can have their own web address with their name at grayheadowner.com. Lara has that information.

New Equipment

Last year Mike requested a new lawn mower. It was not purchased this past year so it is a must this next year. Mike and Lara also suggested the purchase of a small tractor or skid-steer with back hoe and small bucket. This would eliminate the need for renting equipment due to its meriade of uses such as snow removal, trail work, gravel placement drainage and ditch clearing, irrigation work and construction of storage pond.

Storage Barn

Last year Mike had requested funds to build a storage barn. This barn to be insulated, electrified, heated in order to store equipment as well as a place to properly maintain equipment in the winter months. 20 x 28 at \$50 per SF.
(Stefanie Fanos, representing the GHDC joined the meeting.)

Steve Catsman suggested Mike look into the erecting a winter tent with gas heaters as a more economic alternative.

Susan Hepner suggested we look at the cost of such a temporary structure over five years. We shouldn't have to address this every year. We must consider the overall lifetime of a temporary structure as well as its capability of holding heat. Carl Ferenbach thought that in the long run a permanent structure to be more economical. We can get all our money back on saving wear and tear on the equipment. Mike volunteered to draw a more definitive plan to present to the homeowners for the 2008 Budget. Stephanie Fanos agreed that this could be addressed by the homeowners in a "mail in" ballot.

Property Tax Valuation Appeals

Catsman explained that last year, 2005, the county assessor decided to impose a formula that to our knowledge is not used anywhere else in the state. We have a grazing lease on the 35 acre parcels and the assessor maintains that those homes that are built are sitting on five acre lots that are not part of the grazing lease. Therefore the assessor has valued the five acres at 1.5 mil plus the value of the improvements is the assessed value. Last year at the homeowners meeting we agreed to spend up to \$20,000 to hire a firm out of Denver whose expertise is appealing such assessments. Burr Wolfe in Denver. After the meeting in conversations with Phinny and possibly Stephanie it was agreed that it may not be appropriate to have all the homeowners share in this expense. Vacant land homeowners are still considered by the assessors office as 100% agricultural. Catsman suggested that those homeowners with actual homes get together to pool monies to retain the services of a Burr Wolfe firm. Susan Hepner maintains that this should be an expense shared by all the homeowners since once resolved it will indeed benefit everyone. We may be able to join forces with other similar homeowner associations such as West Meadows, Sunnyside, etc. that have the same issues with the assessor. Stephanie Fanos reported that in this last assessment period dated May 1st 2005 for tax years 2005 and 2006 there were overall more appeals submitted to the assessor than ever before. Consequently it did not go so well for the assessor. The assessor may now be more inclined to negotiate some of these issues. Steve agreed to speak with the Burr Wolfe firm in Denver prior to hiring them for a sense of what they may accomplish for us.

Adoption of Current CIOA Policies

As reported by Stephanie Fanos in order to come into compliance with these CIOA laws the association needs to adopt 8 written policies and procedures with regards to specific areas. One is how we conduct meetings, two is dispute resolution process, insurance claims and investments of reserves, etc. Stephanie has been working with other HOA and has developed forms, policies and procedures that can be adjusted to Gray Head in order to come into compliance. Interestingly enough one of the policies and procedures is a policy and procedure and policies and procedures. These policies and procedures are documents that the Board of Directors adopt but Stephanie makes it a practice to let the homeowners review these specific procedures and policies prior to adoption for their comments. Catsman proposed that Stephanie incorporate the amendments that apply to our declarations and bylaws and get ratification from homeowners that they have reviewed. Since Gray Head does have a website we will use this to communicate these changes and amendments to our homeowners. As a matter of fact, some of the new policies and procedures require a line of communication (dissemination of information and posting of information) that our website will provide. Some of the new laws affect sellers of properties. Sellers are required to provide certain types of information to buyers, and the easiest way to comply with this is having the information available on a website. Declarations and bylaws are some of the documents that should be posted. Decs, bylaws, articles, minutes of meetings, budgets, all will be required on our website. As a seller we are compliant by giving this link to the buyer for delivery of documents. This process is much more efficient.

Stephanie suggests that we work on this in the next couple of months.

Website should post Steve's house snooker rules.

Boundary line development survey

Steve is working on mostly development envelope adjustments. Lots 1, 8, 14B, 16A (boundary line adjustment between 16 A and Parcel D to allow 16A driveway to be on 16A). This process has been delayed due to our surveyor, Foley. Steve has not received call backs. Catsman will continue to work on this.

Parcel D Leasehold vs. Purchase

At last years meeting as reflected in the minutes, Steve was directed to investigate some financing alternatives to purchase Parcel D. This is the lot that is slightly more than thirty five acres and includes the homeowner's cabin, Mike and Lara's apartment, the equestrian center/tack room, Roudy's barn, tennis court, events lawn and trout pond. The current lease allowed for a purchase between 2007 and 2010. If the homeowners decided to continue with the lease and not purchase the homeowner's dues would increase by \$427.00. In exploring a financing plan to purchase the Parcel D homeowners dues would increase by only \$300.00 per month.

Power failure

Gray Head Development will subordinate 2,000,000 of the 4.2 million purchase price. Vectra Bank has verbally agreed to loan the homeowners 2.5 million of which we will only need 2.2million. This would be the down payment to the GHDC at 6.95% interest only for 5 years (interest rate to increase approximately .5% each year). A prepayment penalty of \$20,000 1st year, \$10,000 second year and \$5,000 third year would be attached. This would come out to the \$300.00 per month increase in homeowner's assessments. Gray Head Development will wait for three years for the balloon payment of the additional 2 million plus accrued simple interest at a rate of ____%. In discussion with the Vectra Bank attorney after three years the homeowner's may be able to form a Metro District. Parcel D and other assets could be put in a Metro District and then the MD retire it's bonds via real estate taxes that would be tax deductible to homeowners vs assessments that are not tax deductible. Another option would be a partial re-finance, under the assumption it's an appreciating asset that will continue to appreciate. There may be a possibility of a 100% re-finance. Interest rates may decrease in the next three years. Another option if the homeowners do not want this asset any more it could be sold. Susan and Carl - because the subordination proposal from Gray Head Development comes due before the Vectra proposal Vectra would stand still in the number 2 position if indeed the homeowners would need another lender. If the homeowner's could not come up with the balloon payment to Gray Head in the three years, Stephen Phinny agreed that in a contract to purchase Gray Head would agree to two 1 year extensions to the second, then the full cost would require re-financeing, Metro District, municipal bonds, partial special assessment, or 100% special assessment.

Susan suggested the the Association might form an LLC to purchase parcel D then the interest could be a deduction to the members of the LLC. Catsman said that this might be a problem with Vectra because Vectra likes making the loan to the Association since the Association dues issue is a leinable item. Susan said we could then assign the assessments and assets. Catsman suggested that if indeed the homeowners pursue this that a committee of three be appointed to negotiate alternatives as well as the possibility of getting this interest passed through to the homeowners with Vectra. Susan Hepner, Ralph Booth and Catsman would be this committee.

Stephanie pointed out that in order for such a proposal to pass it will take 67% of the homeowners. With Steve and Terry as well as Stephen Phinny representing GHDC having conflict, they will step down leaving 18 lot owners as 100%. Therefore, 67% of 18, will require 13 lot owners to pass proposal.

Carl Farenbach's Motion:

The Homeowners Association purchase the Gray Head Cabin and Equestrian Center (Parcel D) from the Gray Head Development Corp. with financing from Vectra Bank for 2.2 million at the interest rates described and subordinated note from GHDC at the terms described subject to the findings of a committee of three with respect to the ability to create an entity that promotes tax deductibility on the interest expense.

Steve Catsman has declared a conflict so he stands behind. Susan Hepner seconded the motion.

With no opposition the motion passed unanimously.

Clarification of vote:

John Morgan – yes
Ralph Booth – yes
Susan Hepner - yes
Carl Ferenbach - yes

Jeanne Buck with proxies and direction to vote in the affirmative for the purchase of Parcel D represents the following homeowners:

Barney and Carol Barnett
Ken Rice
Val and Stuart Ross
Joe Healy

Lots not voting or represented:

Steve and Terry Catsman
Gray Head Development Corp.
Wendy Kane, legal representative for Ken Tuchman elected not to conference in
Steve and Sheila Hamp

