

*With Corrections*

GRAY HEAD @ TELLURIDE  
PROPERTY OWNERS ASSOCIATION  
ANNUAL MEETING

10/19/05

MINUTES

Steve Catsman, President, called to order the seventy Annual Meeting of the Property Owners Association at 9:00 a.m. in the offices of the Gray Head Development Corp. located at 135 W. Colorado Ave. Telluride, CO.

Proxies Received for Steve

Hawn Mountain (Ralph Booth)	4
Kenneth Rice	2
Carl & Judy Ferenbach	2
Kenneth Tuchman	1
STAM (John Morgan)	2

Members Present

Gray Head Development Corp.	6
Stephen Phinny via phone	
Steve Catsman (present)	1
Stuart Ross (present)	2

83% present and proxy. Quorum is established.

Jeanne Buck and Taylor Carson were also present and Stephanie Fanos, attorney, was present via phone.

Foreman's Report – was read and is attached with comments as part of these minutes.

Grazing Lease – Peggy Kantor, the county assessor was trying to remove our status as agricultural land. She claimed our grazing lease to be invalid because the sheep were not on all lots in Gray Head. The valuations we challenged were based on the premise that any lots with improvements would have a residential value on 5 acres and an agricultural value on the rest of the acreage. According to the assessor the value of those 5 acres is 2 million. Catsman does not feel that in the Colorado legislature there is a statute that allows an assessor to partially assess a property. Catsman feels that only improvements can be assessed differently. Catsman would like to propose spending some legal \$\$'s to protect our long term interest. Stephanie has referred some clients to an entity that has offices all over the country that specialize in this – tax abatement and tax protest.

Stephanie will get us a contact name and number for this entity in Colorado. Next summer we may have as many as 10 homes under construction so there is significant \$\$'s that may be lost. The outcome of this years protest was Catsman *on behalf of Property Owners* finally agreed to a land value of 1.5 mil for those with completed homes with a right to protest this value again next year. Agreement was made to avoid having to appeal to commissioners and eventually the state board of appeals. The grazing activities this next year will be observed and documented by Ernie Echart, the owner of the sheep, Roudy, Mike and Lara.

#### Proposed 2006 Budget:

Summer Maintenance – Since the county replaced the bridge on Last Dollar Road over Deep Creek they did grade the road in their cleanup effort. This saved over the budgeted amount for summer maintenance. Based on the number of homes complete and under construction Steve feels the county is very close in taking over the regular maintenance of the road.

Magnesium Chloride – is still an issue. We did not dust this past summer and the roads did fairly well without it. The county does use the chloride and when they eventually take over the portion through Gray Head Catsman will suggest they at least use a dusting of MC. If not this next year, for sure 2008 the summer maintenance and mag chloride should be gone, therefore eliminating these two budget items adding up to \$27,000.

Winter Maintenance – This past year only \$4000 was spent, however we would like to maintain a \$10,000 budget just in case our plow truck breaks down and we would have to hire plowing.

Trails/ Landscaping/Pond Maintenance – Most of this \$3000 is primarily supplies. We should maintain this at least for next year. We will revisit next year.

Association Insurance – Insurance is going up across the board for Associations.

Caretaker has a built in 4% per year until next budget year when agreement is up. We will renegotiate at that time.

Common area / Cabin Barn maintenance – consists of any special projects such as the owner's cubbies, cabin cleaning, supplies, snacks, etc.

#### Parcel D Leasehold:

Cabin Equestrian Facility at \$74,817.00 – Lease is actually \$195,000 per year but GHDC determined if we were to charge that \$195,000 to the POA, since they have an option to purchase agreement, those amounts would be credited to the purchase price of the cabin/equestrian center anyway. Given the fact that GHDC was owner of half of the lots

for the past 5 to 8 years it may have been a negative to a homeowner to anticipate an increase of assessments from the \$8000 per year to cover that leasehold.

Stephen Phinny feels the POA should purchase this Parcel D from the Development Corp. sooner rather than later due to the fact that the appraised value will not go down but only increase. Phinny suggested the POA pursue the purchase and explore some creative financing that would not increase assessments significantly. If the POA does not ***complete the purchase of the property from GHDC then Hawn Mtn./Ralph Booth has first right of refusal to purchase on the same terms and conditions of the POA's Purchase Contract on the property. If Hawn Mtn./Ralph Booth does not accept the same terms and conditions then GHDC can offer the property for sale.*** With the amount of homes built and under construction Phinny, Ross and Catsman feel sooner is better than later to pursue the POA purchase of Parcel D. Catsman and Ross will explore such creative financing. The POA's option to purchase Parcel D expires no sooner than 5 years and no later than 7 years from January 1, 2000. Lease end is 2010 but Booths contract specifies the option to purchase to be no more than 7 years. In any case this just places more urgency for the POA to make a decision to purchase or not. The Board needs to make a recommendation to the POA. If the POA makes the decision not to purchase Parcel D Booth's right of ***refusal*** will kick in. Stephanie suggested we look at how these agreements work together.

Stephanie feels that the professional fees, legal, should be increased to allow funds needed to revise the documents to comply with the new changes in the Colorado law. (CIOA) There are 4 or 5 building envelope adjustments issues that need to be addressed and formalized and instead of doing them singularly with separate supplements to the map, can this be done globally? Stephanie felt that if we could obtain Foley's work by February we could then integrate all these changes. There are issues on Lots 14B and 9 and work to be done on Lot 8 and may need a small replat on Lot 9 well.

In the 1st session of the Colorado Legislature new changes to CIOA, Colorado Common Interest Ownership Act, were adopted. This is the statute that controls the HOA and declaration and how this property is governed by virtue of being in a community. Majority of these changes do not go into effect until January 1<sup>st</sup> of 2006. Major highlights – must adopt a BOD conflict of interest policy, need to develop fire suppression policies, need to make sure that our provisions regarding amendments of the documents do not provide for more than a 67% vote of the owners, one conflicting provision that we do have is Article 13 of declarations. These provisions could not be amended except by a vote of 90%. This is automatically void and we must change our declarations accordingly. All of our other provisions are 67% which is in compliance. We will be required to adopt certain accounting procedures. We will now be required to follow the GAP accounting principles in all of our accounting and bookkeeping. Additional disclosure requirements are imposed upon us. Some Board member education will be required. Regarding landscaping, if an owner wants to put in xeroscaping, the association can not prohibit that. We need to take a look at our Design Regulations to see if we have anything that may conflict. Roofing materials – we can not prohibit fire retardant roofing material. We can specify color and type but not the use of them.

Stephanie is going to a seminar in Denver regarding this legislation in November and will report back to us.

Catsman made a motion to elect to the BOD the following individuals, Steve Catsman, Stuart Ross, Stephen Phinny, Jeanne Buck and John Morgan. Phinny seconds, motion passes unanimously.

Jeanne made the motion to increase the cost of an event at the Gray Head Cabin to a minimum of \$4000 and to check with Locker our insurance broker for the minimum liability amounts and write into motion. Stuart seconds, motion passes unanimously.

Catsman made a motion to take legal action against the assessor regarding our agricultural status and grazing lease. Stephanie is to provide the contact at the legal entity that specializes in such action. We propose not to exceed \$20,000 legal fee for 2006 for this purpose. Stuart seconded, motion passes unanimously.

Phinny made the motion to adjourn, Catsman seconded, motion passed unanimously.

Approved:

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Steve Catsman, President

Date

GRAY HEAD AT TELLURIDE  
BOARD OF DIRECTOR'S MEETING

10/19/05

The Board of Directors adopted the proposed 2006 Budget with an increase of legal fees to \$29,000, an additional \$20,000 to cover legal action against the county assessor and \$4000 to cover CIOA changes.

The Board elected the following officers:

Steve Catsman – President  
Stuart Ross – Vice President  
Stephen Phinny – Vice President  
John Morgan – Treasurer  
Jeanne Buck – Secretary

With no other business the motion to adjourn passed unanimously.

October 19<sup>th</sup> 2005

Prior to the regular annual meeting Ron Berkovitz presented the Ferenbach's Drawings for Lot 1 Guest House for sketch plan review.

Catsman after speaking with Stephen Phinny approved driveway as it exists on the drawing.

Also granted preliminary approval of sketch plan subject to compliance to the design review guidelines and requirements. Final approval will be set for approximately mid November, early December.