

**MINUTES OF THE ANNUAL MEETING
OF
THE COTTAGES AT SILVER STAR HOMEOWNERS ASSOCIATION**

December 7, 2012

The annual meeting of The Cottages at Silver Star Homeowners Association was held on December 7, 2012 at the offices of Resorts West, 1795 Sidewinder Drive, Park City, UT.

Attending in person:

Steve Perkins	HOA General Manager
James Ballstaedt	President, Resorts West
Ryan Braski	Accountant, Resorts West
Erin Talley	Accountant, Resorts West
#C20	Rick Smaligo
#C39	Ricky Tichman
#C39	Cindy Shearman
Silver Star Cafe	Jeff & Lisa Ward

Attending via telephone conference:

#C14	Eric Wise
#C18	Seth Johnson
#40	Alex Smith
#C47	Gino Ginocchio

Proxies:

Proxies representing two owners were held by Steve Perkins.

Mr. Steve Perkins, HOA General Manager, reported that a quorum was not present for the meeting. According to the bylaw change made a year ago, 50% of owners must be present or represented by proxy to meet the required quorum. There are only 7 of 22 owners present today and two represented by proxies held by Mr. Perkins. An informational meeting can be held today but no issues can be voted on. The budget can be approved because it is a Board responsibility. Committees can be formed. The election of a trustee is scheduled for today but will be conducted via mail or e-mail.

The meeting was called to order at 10:01 AM MST by Mr. Perkins.

The minutes of the 2011 Annual Meeting were reviewed but not approved since a quorum was not present. There were no objections to the minutes.

Financial Review:

Financial statements for the period January 1, through September 30, 2012 were presented by Mr. Perkins. The review included:

1. Finance Charges and Late Fees - several owners were delinquent with their dues and were assessed late fees. The minus number indicates that late fees were waived when the dues were paid in full as per the Board's direction.

Ms. Cindy Shearman, Board member, noted that this accommodation has been made occasionally on a case by case scenario.

Mr. Ricky Tichman, owner, asked if, when a unit is in arrears, late fees are included at closing along with the dues owed.

Mr. Perkins said that late charges are usually waived but legal fees are not.

Mr. Tichman questioned the budgeted number of \$285,000 on this line and requested clarification.

Mr. Ryan Braski and Ms. Erin Talley, Resorts West Accountants, explained that dues and late fees appear in this entry. They will consider separating these entries in the future. In the past, there has not been a reserve expense for unpaid dues, but a line could be added there.

Mr. Perkins commented that this issue is an accounting detail.

2. The Lien Expense was recaptured.

Mr. Tichman questioned how this line number was reached and requested clarification.

Mr. Braski and Ms. Talley explained that on this line the initial expense for the lien had been reversed and was paid with the closing costs. They noted that this line can be restructured for clarity.

3. Labor Expense is under budget - \$6,400 actual against \$8,300 budgeted.

4. Administrative Expenses –Mr. Perkins said attempts are being made to recover legal fees but thinks it unlikely.

Mr. Eric Wise, Board member, asked if owners can expect that this issue is behind them and that no more legal fees of this magnitude will occur in 2013. Mr. Perkins said that apparently an agreement had been reached and additional news regarding this matter will be available next week.

Mr. Wise questioned whether the 2013 proposed budget line amount of \$300 was sufficient. The 2012 line reflects a much higher number. He asked if there might be another revenue source for payment of legal fees such as transfer fees or reserve funds.

Mr. Perkins commented that the reserve funds are at a sufficient level that covering legal fees might be possible. Ms. Shearman said that rather than budgeting legal costs, it would make sense to use reserve funds to pay for future issues such as this.

Mr. Perkins said these legal expenses were reflected in the Cottages budget only because the size of the legal issue was related to the Cottages.

Mr. Tichman commented that if HOA administrators have been subpoenaed, he thinks the legal cost should be spread across all Silver Star associations, not just the Cottages.

Mr. Perkins will review this issue. If it is determined that the Cottages should not bear the entire legal cost, this line item can be remedied.

Mr. Tichman pointed out that since the same attorney represented the HOA and the developer, there appears to be a conflict of interest. Mr. James Ballstaedt, Resorts West President, noted that this lawsuit occurred before the developer turned over control of the HOA. He said that this issue will be reviewed.

Mr. Wise mentioned that an attempt should be made to recapture some of the legal fees incurred. He expressed concern that if a similar incident occurred at another sub association, that association would be open to additional legal expenses.

Mr. Tichman commented that if a board member was subpoenaed, a Directors & Officers Liability claim should have been filed with the insurance company. Mr. Perkins said he was unsure if any fees were associated with that.

Mr. Perkins stated that he, as a representative of the HOA, and Resorts West were subpoenaed

in the lawsuit. A forensic inspection of the unit was completed. A section of the roof was repaired, followed by an agreement that turned the warranty obligation over to the contractor that did the repair. The warranty for the repaired portion of the roof is for 5 years, eliminating HOA liability.

5. Supplies Expenses include minor repair work to building exteriors. The budget was adjusted to accommodate this. Part of the cost of the extensive stonework repair (Cottage #24) was included in this category and part in the reserves. Mr. Perkins continues to inspect stonework around the project. There are a few areas where failure is occurring. Since stonework repair is a big budget item, Mr. Perkins will form a committee to research this.
6. Contract services include Cottage lift service and repair. The lift was inspected by the manufacturer in the fall. Some parts of the lift are still under warranty. Mr. Tichman questioned how much use the lift gets and whether its maintenance cost makes it worth having. Mr. Perkins said a meter which tracks usage is installed on the lift and that usage numbers are surprisingly high. Ms. Shearman pointed out that the lift adds excellent resale value to the property. Snow Removal is under budget due to lower than normal 2011-2012 snow accumulations.
7. Utilities expenses appear in line. Mr. Perkins explained that the function of heat tape is to channel water off a roof so water does not freeze on the roof. The resulting ice dams cause puddles to form behind the ice – creating leaks. Decisions regarding heat tape placement are based on roof pitch. Mr. Perkins noted that recently roofing contractors had installed heat tape under the lower roofs of several cottages. The roof is actually being heated and melting the snow at a faster rate. He pointed out that this might not be a practical solution for all Cottages roofs. Mr. Perkins has placed ice buckets at the front doors of units as necessary. Mr. Perkins said that additional steps he plans for the roof/ice problem next year are:
 - Installation of gutter sections over front doors of some units
 - Repair/replace heat tape as needed, including more effective placement on upper roofs of some units.
 - Consider the cost and practicality of installing heat sensors when installing replacement heat tape.
 - Do a cost analysis on placement of heat tape under roofs vs. replacing it in locations on top of the roof. There is a committee responsible for this.
 - Review new heat tape technologies.Mr. Perkins said that heat tape replacement is budgeted in the reserves.
8. Insurance – property and liability insurance is about 10% over budget. Mr. Perkins will look into this to determine if the number is correct.

Mr. Perkins stated that year to date surplus is about \$25,000, of which \$18,000 is budgeted for snow removal. He said that at the first quarter meeting, it will be determined what the actual surplus is. Its disposition will be based on cash flow maintenance. The excess will go into the reserve fund. Mr. Braski commented that snow removal has been light so far this year but December's budget amount for this is high.

Mr. Perkins mentioned that it's clear that Silver Star HOAs are healthy enough now to have these discussions. The Reserve Committee will review this year to determine where we are and what numbers will change.

Mr. Perkins stated that the operating budget for 2012 year to date is \$380,183, an 8% increase over the previous year. The Masters line comprises the bulk of that. He commented that additional discussions will take place at sub association meetings later today.

2013 Budget Proposal:

Mr. Perkins presented the proposed 2013 budget including:

1. Labor Expenses – housekeeping and maintenance remain basically the same.
2. Administrative Expenses:

Reserve expense will remain the same. It is being funded at a satisfactory rate.

Management fees reflect a 9% increase. This is the first increase for Resorts West in the four years they have been managing Silver Star. The contract does allow for an annual increase review.

HOA dues are increased by 6.2%.

Mr. Wise requested more detail regarding the Masters Association's dues increase. Mr. Perkins said reasons for the dues increase include the following:

- An increase in the manner in which Mr. Perkins salary is apportioned – 60% rather than 50% is now reflected in the budget.
- A 9% increase in Resorts West management fees.
- General maintenance has increased.
- Guest shuttle attendance is up.
- Tree pest control has increased.
- Increase in water expense
- High Definition TV expense of \$7,000.
- Internet expense of \$15,000 (last year's expense was for six months only)

Mr. Perkins said the Cottages pay a prorated 34% of the Masters' dues, or \$249,000.

Mr. Perkins mentioned that all Silver Star owners received documents at closing delineating the pro rata share of all units in the project. It details each owner's percentage of dues obligation. The Cottages two documents are as follows: one shows each Cottage unit as 1 of 22, and one shows each unit's percentage of the whole project.

In addition to the Masters Association, there are three HOAs. Non-residential properties are included in the HOA they share a roof with and are considered part of that building. All HOAs pay their full pro rata share of dues.

Commercial properties are part of the Plaza HOA. The Sundance office space is currently for sale. Sundance has recently signed a ten year lease and will pay rent to the new owner when the space sells.

There are two deed restricted building units in the Plaza HOA. One has private owners and the second, containing 10 condominiums, is developer owned and in short term rentals. At this time, deed restricted rentals are in the process of being changed to deed restricted owners.

They will be going on the market in the next 60 days. Requirements for affordable housing are regulated by HUD.

3. General Maintenance reflects an increase over last year.
4. Contract Services remain the same across the board.
5. Utilities remain the same.

The proposed budget total is \$409,000 vs. \$385,000 for last year.

Mr. Perkins recapped yesterday's Masters Association's discussion regarding transfer fees. The Masters Association budget includes an income line for transfer fees accrued from real estate sales. This money can either go to the operating budget or the reserve fund. In 2012, the transfer fees generated were in the \$60,000 to \$80,000 range. The budget line reflects \$15,000 – this will give the Masters' a surplus based on what the final number ends up being minus the \$15,000. Mr. Perkins said the intent behind the budget line item amount was to build up the severely underfunded reserve account. He pointed out that, of the \$60,000 budgeted for reserves last year, \$40,000 was spent on various capital expenses such as pool repairs, furniture replacement, etc. The recommended reserve funding is \$90,000 per year. At the end of this year, the reserve fund balance will be \$14,000 to \$15,000.

Mr. Perkins stated that the question under discussion is whether to budget the transfer fees at a more aggressive \$30,000 thereby lowering dues by \$240 per year.

Mr. Ballstaedt commented that the conclusions reached by the HOAs will be forwarded to Mr. Chip Campbell, representing Paladin Developers, who will make the final decision regarding this issue.

Mr. Tichman pointed out that transfer fees have always been well above the \$15,000 number and the numbers should only increase as the real estate market continues to stabilize.

Mr. Wise said he thinks it too early to determine if the suggested increase be a budgeted item, but believes the Association needs to be comfortable that there is some cushion above the peak sales amount.

Ms. Shearman stated there were ten sales (many distressed) in 2011. This year there have been nine sales with one scheduled to close before the end of the year. She thinks a larger dollar amount will be realized because more have been Cottage sales. She commented that the proposed \$30,000 transfer fees budget line is still conservative.

Mr. Tichman commented that the Masters Association's bottom line was in a surplus position. That raised a question about increasing dues for the various HOAs. Mr. Perkins explained that much of the surplus was targeted to cover specific upcoming Masters Association repair expenses. The amounts included in the Silver Star budget will build the capital reserve to healthy levels.

Ms. Shearman raised questions regarding transfer fees paid by commercial properties. It was noted that commercial properties pay an assessment equal to three months dues, and that amount is prorated between the sub HOA and the Masters Association. Re-sales will produce transfer fees in the future.

Election of Trustees:

Mr. Perkins will handle the election via mail or e-mail since a quorum is not present at today's meeting.

Mr. Rick Smaligo, owner, indicated that he is interested in serving on the Board.

Mr. Smaligo questioned whether the quorum percentage should be lowered again (to 30% or 40%) since it may be difficult to achieve the 50% attendance now required through last year's bylaw change.

Mr. Tichman suggested that Mr. Perkins notify owners to encourage them to either attend meetings or to assign their proxy to someone.

Mr. Perkins will send this information to owners and alert them to the importance of assigning proxies.

Updates:

Silver Star Café Update

Mr. Perkins reviewed information discussed at the Masters Association meeting yesterday regarding the Café and patio. Among the points he mentioned were:

- A committee was formed to research and purchase replacement furniture. The committee consists of Jeff Ward, Cindy Shearman, Cheryl DeMarco, Katie Mullaly, Jeanie Coleman and Linda Smaligo.
- The owners dining discount should be reinstated.

- Purchase of folding chairs for owner use during busy times. Chairs would be stored at the Resorts West office.
- A patio area reserved for owners until 6:00 PM on event evenings. This could be located near the ski shop. A sign would clearly identify the area as reserved.

Mr. Jeff Ward, Café owner, commented that it is often difficult for Café customers to understand where the Café serving area is. Signage would help clarify this issue.

To increase seating capacity during the winter season, Mr. Tichman suggested erecting some sort of tent structure next to the Café on the golf course side. Ms. Lisa Ward, Café owner, welcomes this idea. She would like a structure that projects the feeling of being outside and incorporates the beautiful views. It was suggested that this idea be dealt with by the committee. One committee member, Ms. Cheryl De Marco, owner, is an architect and interior designer.

Mr. Ward agrees that an owner dining discount should be re-started. There had been some issues with discounts in the past some so they had been discontinued.

Website Update

Mr. Tichman explained that when silverstar.com is logged into, information about Mr. Dusty Orrel, Park City Realtor, appears. Mr. Orrel was involved with Silver Star when the project was initially started. It is unclear whether Mr. Orrel has the permission of the developers to continue using this website.

A discussion ensued regarding an owners' website. The website would include a monthly calendar describing events scheduled at Silver Star. Information about the artists' activities, the Café and ski shop would be included. Realtors could buy space to advertize and list properties. Documents and CC&Rs could be included.

Mr. Ballstaedt stated that Silver Stars trademark is SilverStar@Park City. He mentioned that Mr. Campbell had said it was unlikely to be a problem acquiring the website trademark from the developers.

Wireless Update

Wireless has been installed and seems to be operating properly. If owners have any problem or notice any billing issues, they should e-mail Mr. Perkins.

Real Estate Signage Update

Approved real estate signs are stored in the Resorts West office. Realtors conducting open houses are to use these signs (Silver Star Open House), not signs using the name of the realty company or agent. Only one set of signs is used going up the street.

Mr. Perkins mentioned that re a question at yesterday's Masters Association's meeting regarding sign usage for "sale by owner" was permissible. An owner should be able to use the signs for this purpose.

Staining Agreement Update

The Association has entered into an agreement with the contractor to stain the project every year as needed. Most of the south side will be stained each year, the east and west will be touched up and the north side will be stained as needed. Theoretically, the project will always look new. As part of the agreement, all doors and decks will be re-stained annually. Decks will be power washed first.

Ms. Shearman requested owners be notified of the re-staining schedule so preparations can be made.

She also commented that property around the re-staining areas be cleaned up properly. Mr. Perkins said the contractor is very responsive to owner concerns. Owners should inform him if any problems occur.

New Business:

Landscaping: Ms. Shearman requested a plan be developed to landscape the small hill near the Cottages. She suggests xeroscaping the area, using boulders, rocks and drought resistant plants. Grass and other plants which require watering do not work in this spot.

Mr. Perkins will develop a plan with the landscaper and implement it in the spring.

Resorts West Employee Policy: At yesterday's Masters' meeting an owner requested clarification of Silver Star's policy regarding employees helping owners with small jobs on their own time. Mr. Ballstaedt stated Resorts West does not permit this due to liability issues. He said he will call the owner to discuss the issue.

Insurance Issue: An owner had recently requested insurance information regarding the dead air space between neighboring Cottages. While the Cottages share a roofline, there is a small space between each unit. They are actually separate structures.

Mr. Perkins said the declarations are clear that owners insurance covers the sheetrock in. Everything else belongs to the HOA. According to the new Utah insurance law that took effect last year, walls, flooring and built-ins are covered by the HOA but a \$5,000 deductible is charged to the owner.

Destination Clubs: Mr. Perkins noted that at this time vacation clubs and time shares are not permitted on site. A change in bylaws would be required before it could take place. He said that a company had been in contact with Silver Star's attorney regarding this issue but is not currently pursuing it.

Mr. Tichman said he is not looking for a change in bylaws to permit companies or clubs such as these to own a unit. His interest is in allowing these companies to rent units. He sees no difference in renting units through them than in renting units through Resorts West or Deer Valley. A destination club provides a long term, guaranteed rental for an owner. Utilities and housekeeping services are paid by the club. HOA dues continue to be paid by the owner. Mr. Tichman has a destination club lease for two units in Empire Pass and believes it has been working well.

Ms. Shearman commented that there a lot of negative perception about these kinds of companies because they are often confused with time shares.

Ms. Shearman and Mr. Tichman request that the CC&Rs be amended to allow this type of rental. They would like to put the issue to a vote.

Mr. Perkins said no vote was possible because a quorum was not present.

Reserves: A reserve analysis committee was formed. Volunteers include Steve Perkins, Eric Wise and Ricky Tichman.

2013 Annual Meeting Date:

The next annual meeting is scheduled for Friday, December 6, 2013.

The meeting adjourned at 12:11 PM.

