

Update of Financial Condition & Notice of Fee Increase

Effective 5/1/10, HOA Dues Increase to \$170

3/20/2010



Vintage on the Bluffs HOA Members:

The primary responsibility of the HOA board is to manage the financial condition of the HOA such that we as a community have the financial ability to maintain our property to make Vintage on the Bluffs an enjoyable community to live in, and to ensure that our property values are maintained. In recent years, the board has renegotiated several contracts (landscaping, garbage, and water) and has been able to reduce our annual expenses significantly. This has improved the financial position of the community to the point where we have been able to start maintaining the community rather than simply fixing problems on an emergency basis. This year for example, we replaced damaged concrete in several areas of the community, and replaced damaged steps in the stacked unit buildings. In addition, the board has been able to begin funding a reserve account to ensure we can conduct other more significant maintenance projects in the future.

Since our community has only recently begun contributing to a reserve fund, the reserve fund is significantly underfunded. To determine how much we need to contribute to our reserves each year, the board engaged Western Architectural, a reputable forensic architectural and engineering firm to conduct a reserve study. This study estimates the timing and amount of future property maintenance expenses and recommends an amount that must be contributed to our community's reserve fund to ensure these maintenance issues can be completed without the need to levy significant special assessments. Residents can obtain a copy of the reserve study on the community website at www.vintageonthebluffs.com.

This study indicates that the community should set aside \$105,000 each year in order to be able to fund an adequate maintenance plan. One example from the reserve study will demonstrate the need for increasing our reserve position. The roofing for our buildings will need to be replaced at an estimated future cost of \$1.4 million. If we did not build an adequate reserve to cover these expenses a special assessment in the amount of \$7,500 would be levied against each unit. As most residents would be unable to pay this amount, our community would fall into disrepair and property values would begin to decline.

Recent and pending legislation at the Federal and State level will require HOA boards to begin more fully funding reserves. Communities that have not already begun funding their reserves may actually have to take out bank loans to fund their reserve accounts. Additionally, recent changes in mortgage guidelines have set much stricter standards regarding the financial health of communities in which they will lend. Thus, if we do not begin more fully funding our reserve account, residents may find themselves in a

situation where they are unable to sell their property because potential buyers will not be able to obtain financing for a home in our community due to stricter lending guidelines. This would have a dramatic adverse affect on our property values.

In order to address these issues and ensure adequate funding of the community's reserve account, the board determined it is necessary to increase the HOA fee effective **May 1, 2010**. The CC&R's allow for an annual increase in dues of 15% per year, however, the board determined to raise the dues by 11.8% from \$152 to **\$170**. This increase is based on the budgeted figures in Attachment I to this letter. At the end of each year we will evaluate how much we have actually contributed to the reserve fund and will consider the need to adjust dues accordingly.

The attached schedule shows that we are currently contributing approximately \$50k per year to our reserves, or only 47% of the recommended amount. After the increase in dues we will be contributing \$86k per year to our reserves, or 82% of the recommended amount. While this amount does not completely fund our reserve account, we hope to be able to reduce our expenses during the upcoming year based on our renegotiated landscaping, garbage and water contracts.

A portion of the additional funds collected are intended to be spent on maintenance projects as recommended in the reserve study. During the coming year, we will spend some of these reserve contributions on much needed landscaping projects in the community. This will include replacing dead and damaged trees and shrubs, re-barking many areas in the community, and updating our drip irrigation systems. Additionally, we encourage residents to report to Advantage Management, or the HOA board if there are specific maintenance projects that need to be completed. We believe this increase in dues will allow us to improve the quality of our community, and will go a long way toward maintaining and improving our property values.

Payment Update

The dues increase to \$170 is effective May 1, 2010. Those that are on ACH debit with Advantage Management will have the change made automatically. Those who are paying online through advantagemanagement.com or cabanc.com will need to manually change the amount withdrawn through the respective website. If you have any questions, please contact Advantage Management at 801-235-7368.

Best regards,

Vintage on the Bluffs HOA Board

Attachment I:

Budget Item	Budget Currently in Effect		Rate Effective 5/1/10	
Fee Income Per Unit	\$ 152.00	100%	\$ 170.00	100%
Water	\$ (31.47)	21%	\$ (31.47)	21%
Landscaping & Snow Removal	\$ (21.74)	14%	\$ (21.74)	14%
Sewer	\$ (20.11)	13%	\$ (20.11)	13%
Unpaid Dues	\$ (10.64)	7%	\$ (11.90)	8%
Insurance	\$ (10.47)	7%	\$ (10.47)	7%
Garbage Removal	\$ (9.67)	6%	\$ (9.67)	6%
Management Fees	\$ (8.00)	5%	\$ (8.00)	5%
Ordinary Repairs	\$ (6.16)	4%	\$ (6.16)	4%
Pool & Clubhouse	\$ (3.70)	2%	\$ (3.70)	2%
Electricity	\$ (2.71)	2%	\$ (2.71)	2%
Telephone	\$ (2.32)	2%	\$ (2.32)	2%
Fire Alarm	\$ (1.09)	1%	\$ (1.09)	1%
Administrative Expenses	\$ (0.96)	1%	\$ (0.96)	1%
Janitorial	\$ (0.54)	0%	\$ (0.54)	0%
Total Expenses Per Unit	\$ (129.57)	85%	\$ (130.83)	86%
Monthly Reserve Contribution Per Unit	\$ 22.43	15%	\$ 39.17	26%
Annual Reserve Contribution (184 Units 12 Months)	\$ 49,519.88	47%	\$ 86,481.80	82%
Recommended Minimum Reserve Contribution	\$ 105,000.00		\$ 105,000.00	
Reserve Contribution Deficit	\$ (55,480.12)		\$ (18,518.20)	