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# RECORD OF PROCEEDINGS

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### RIVERWALK DIAMOND BUILDING ASSOCIATION, INC. ANNUAL MEETING OF THE MEMBERS JANUARY 5, 2017

#### MINUTES

The Annual Meeting of the Members of the Riverwalk Diamond Building Association, Inc. (hereinafter "Diamond Association") was held at 5:30 p.m., Thursday, Jan. 5, 2017, in the Inn at Riverwalk Boardroom, 27 Main Street, Edwards, Colorado, in accordance with the applicable statutes of the State of Colorado.

#### Attendance

The following Members were present:

- Steve Lincks – C104, C105E, C106E, C106W
  - Carol Moore Mink - O204
  - Peter Zwiebach - G003E
  - Riverwalk Assoc., LLLP – G001, C102, C103W, C107W, O201 - Todd Williams
  - Asa Clark – R202
  - T. A. Roubos Trust - R205 by proxy to Asa Clark
  - Aprisent Financial Group - O203 by proxy to Rebecca Green
  - Sienna La Rene - O202 by proxy to Steve Lincks
  - Patti Dixon - C101 by proxy to Todd Williams
  - R.J. Meuleman Trust - R203 by proxy to Todd Williams
- Also in attendance were:
- Steve Simonett - Slifer Management Company
  - Heidi Hanson - Slifer Management Company

#### Call to Order

Mr. Lincks, noting a quorum was present, called the Annual Meeting of the Diamond Bldg. Association to order at 5:40 p.m. Mr. Simonett provided Proof of Notice.

#### Previous Minutes

The Members reviewed the Minutes of the January 27, 2016 meeting. Upon a motion duly made and seconded, it was unanimously;

**Resolved** to approve the Minutes of the 2015 Meeting.

#### Maintenance Report

Management gave an overview of the 2016 maintenance issues which included repairs to the fire sprinkler system after a break in the line within the ceiling of Unit R201. There were also minor repairs to the fire and alarm systems which were identified during the Annual Inspections. The inspections also noted that some of the Residences have outdated smoke detectors and some painted

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sprinkler head covers that will need to be replaced. Management will notify those owners needing to address these issues.

Management also reported that there have been a number "pin-hole" leaks showing up in the copper water lines and having been repaired. In an attempt to mitigate this happening, the Executive Board has authorized the installation of phosphate filter system that will coat the lines and hopefully slow the corrosion. Also, repairs to the 2nd floor common area windows across from R201 have not been completely successful in getting them to function properly. Bids have been sought to replace them and the Board will decide whether to move forward with a replacement. Management is also working to solve an elevator emergency phone problem that is mysteriously and randomly calling out to 911, causing the fire department to respond to an unoccupied elevator.

Discussion of the lighted business signs having burned out bulbs and not being maintained by the individual owners followed. In order to have uniformity, Management was asked to replace the burned out bulbs. The Board will consider mandating that Management keep the bulbs lit and bill the bulbs and labor back to the sign owners.

### **Financials**

Ms. Hanson presented the 2016 Financials. Discussion of the Balance Sheet and the Profit and Loss Statement followed. The BS shows the Reserve Fund to have \$120K and the Operating account \$54K. EOY transfer of funds will increase the RF. The P&L shows Income exceeded Expenses in 2016. Monitoring of the snowmelt gas usage in order to more accurately be reimbursed by the Master Association was discussed. Budgeting for 2016 Gas was done before the meters were in place and is the reason why the Gas expense was substantially over budget. Meters are now in place and will be used for reimbursements by the Master. There are no delinquent owner accounts.

### **Proposed Budget**

The 2017 Budget was presented as approved by the Board. The Budget Income remains the same as 2016. Upon a motion duly made and seconded, it was unanimously;

**Resolved** to ratify the 2017 Budget as presented.

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**Director Election** Mr. Williams' term was expiring. Upon a nomination duly made and seconded, and there being no other nominations, Mr. Williams was;

**By Acclamation** re-elected as the Commercial Director, with a term ending in 2019.

**New Business** Mr. Clark reported on the DBA Reserve Fund Plan (RFP) as of the end of 2016. His summarization is as follows;

First, he reviewed the purpose of the RFP to plan, manage, and fund maintenance and care for the DB at three levels: routine annual maintenance (funded by operating budget), expensive and infrequent investments in major building infrastructure, and discretionary improvements in the building. And to fund this stream of care at a reasonable, consistent, and efficient level of financial burden on owners. The RF is seeded annually from the RF line in the operating budget that is supported by monthly general assessments on owners, plus it is leveraged over the long-term through prudent investments. This is a complex and dynamic challenge. It is managed by a set of roles to achieve optimal results and to serve as checks and balances on the stream of decisions; to include, the DBAB, SMC, all owners, and the investment manager and custodian that we engaged in 2015.

Second, we discussed the excellent state of our building, to include recent repairs. We agreed to defer specific planned repairs that are unnecessary now. We also agreed on a system for maintaining 'live' bulbs on lights for business signs on the Main Street side of the DB.

Third, he reviewed "the problem" facing the DBA: the expensive, massive reconstruction of the DB in 2010/11 carries a legacy of 20-year life-cycle maturities of many major infrastructures that we must anticipate and plan for in terms of confronting us with a spike of expensive investments in/around 2030. How do we best generate funding for this anticipated expense spike? This is the challenge that motivates us to lean on the principle to "plan for the worst, and manage to better outcomes in a long-term perspective."

Fourth, in our Annual Meeting in 2015 we decided on specific measures to better tackle this challenge: [a] to continue our policy of increasing our operating budget RF line by 5% annually; and [b] to shift the investment profile of our RF from the former "sleepy" but safe return yielded by 5-year CDs to a moderate risk/reward

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profile of a portfolio in capital markets targeted at a 5% annualized return. How have we done? Mr. Clark reported our progress to date. In mid-2015, we transferred our RF balance to an independent national investment manager and custodian. Because this amount was below AUM minimums, our funds were invested in an initial ‘holding portfolio allocation’ which exposed us to losses from plunging energy markets. Holding to our long-term view, in mid-2016 we transferred our 2016 RF accruals into our investment portfolio to bring it above the minimums and allow us discretion to re-craft our portfolio asset allocation. Second-half 2016 results achieved 3% returns and put us on the trajectory we want for consistent long-term growth.

Finally, looking ahead, Mr. Clark explained how our DBA Reserve Fund Plan is continually managed and revised in terms of both its physical and financial domains. We’re on track to care for our DB out to our 30<sup>th</sup> building anniversary, and we’re beginning to build traction to manage “the spike” that may follow. Following a full discussion, the Members supported this conclusion and approved the report and recommendation to transfer residual 2016 net income into our investment portfolio by vote.

#### **Adjournment**

There being no further business to come before the members, by motion duly made and seconded, it was unanimously

**Resolved** to adjourn the 2016 Annual Meeting. The meeting was adjourned at 6:45 p.m.

Respectfully Submitted,

Steve Simonett  
Slifer Management Company