

January 27, 2008

To: River Meadows Homeowners
From: River Meadows Board of Directors
RE: Insurance Coverage

The River Meadows Board of Directors along with Key to The Rockies has spent the past few months evaluating the current insurance situation with our homeowners association. We have concluded that we need to take several steps in the near future to ensure that owners are all adequately protected in the event of a situation resulting in damage or losses.

The current situation with insurance can be summarized as follows:

- The River Meadows Homeowners Association currently has insurance that only covers the common areas of our development.
- Individual buildings are covered by policies that individual owners have for property and casualty, contents and in some instances, flooding.
- This insurance structure is in place based upon our original By-Laws that were established by the developer. We believe this approach was set up as to minimize Homeowner Association Dues.
- This structure that is in place whereby individual owners obtain their own insurance is an exception to common practices in these types of developments, especially where there are common walls (i.e. townhomes and condominiums).
- Each unit owner is supposed to have their adjoining neighbor as an additional beneficiary on their existing policies. We are not sure how many unit holders, if any, are in compliance with this provision at this point in time.

The current structure gives rise to potential problems should an event occur that results in serious damage. For example, if a building is damaged there could be a dispute between the two different insurance companies covering the individual units over liability, damages, etc. that could significantly delay resolution and reconstruction. Or, your neighbor may not even have adequate coverage to replace his portion of the building, potentially leaving an unfinished property sitting idle for some time. While these examples may not be likely, they are frequently encountered in other jurisdictions and situations (including one in Keystone that Key to The Rockies is familiar with).

The Board is recommending that as an owners association we evaluate providing a comprehensive policy that would cover all of the units for full replacement value under one policy. Under this approach we would ensure that all unit owners have adequate coverage on

both their unit and the entire building and that in the event of a loss that there would only be one insurance company to deal with, thereby eliminating any potential disputes between different insurance companies which could cause delays in reconstructing any damaged units.

We have received a preliminary quote for such coverage from American Family Mutual and believe that the cost differential between this type of policy and what unit owners are paying now with their individual premiums would be negligible and perhaps may even result in a cost savings.

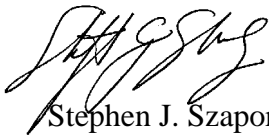
Changing the insurance approach unfortunately will also require changing our By-Laws. We are having a law firm evaluate what this might entail and how such a change can be expedited.

The Board's approach is to provide the owners association with a quote for a comprehensive policy as well as proposed changes to the By-Laws so **that a vote can be taken by all owners** on this issue in the near future. We will keep you apprised of our progress and how and when we would conduct a vote .

In the meantime, the Board is requesting that a copy of each unit owner's current insurance information, including coverage, beneficiaries and agent contact information be forwarded to Key to The Rockies. This information should be on file anyway and is required per our Declarations (see section 17.12).

In the meantime, please do not hesitate to contact either Darren Walsh, Mike Magliocchetti at Key to The Rockies or myself should you have any questions or comments.

Sincerely,



Stephen J. Szapor, Jr.