

Venture Out at Mesa, Inc.

**5001 E. Main Street
Mesa, AZ 85205-8008**

480-832-0200

Fax 480-832-2360

www.ventureoutvresort.com

August 18, 2004

Dear Venture Out Friends and Neighbors,

Board members, Norm Thiessen and Florence Brownridge, have once again written an excellent summary of the actions the Condo Board has taken this summer.

The Community Center project has been a massive undertaking and it requires the efforts of so many people. It could not have been accomplished, however, without the support of all of you.

I won't repeat everything that Norm and Florence have in their report, but I do want to re-iterate, should you have any questions, you can contact any Board member and ask us directly.

I also want to point out the remarkable fact that we have at this point only one special assessment that has not been paid either in full or by installment and this one unit is an estate. Once again, the residents of Venture Out prove again and again that they care for their community and will step up to the plate to get the job done.

We are looking forward to an exciting season next year and will be continuing to post on the Web site progress on the center as it begins.

Thanks again for your support and see you this fall.

**Lyle Read, President
Condominium Board of Directors**

CONDO BOARD REPORT

August 2004

Introduction

Our individual summers are racing away too swiftly. Our Board has met by conference call each month and received daily correspondence from our manager, Mary Schmit. We have spent much time and thought on issues surrounding the construction of our Community Center and have been amazed by the number of other important matters that also have had to be addressed during this summer at Venture Out. We will attempt to get you up to speed with what is happening through this communication. If our explanations require more detail, we ask you to contact whichever Director you find most convenient to call.

Community Center Construction Budget

When the Board left in April, the project was within its \$4M budget with a comfortable contingency to meet any unforeseen minor costs. The Board was also aware that the project still contained a number of issues that had been added as "wish list" items that had continued to come in from groups of residents.

The rising cost of steel was already a worry. As the summer continued, the rising steel costs became a reality. This was followed by dramatic cost increases in cement and other building materials. The worldwide building boom, including record housing starts and mega-projects like the 2008 Beijing Olympics, are having their impact on the supply and demand balance. As prices were being confirmed, our anticipated contingency was quickly depleted and our construction budget was moving well beyond the \$4M limit.

The Board reiterated its resolve to remain within the \$4M budget limit and asked our manager, architect, project manager, and the construction company to review all material and design issues in order to reduce building costs. Our president, Lyle Read, even made a trip to Venture Out to participate in some of these meetings.

The following summarizes deletions and alterations that have been made that will not impact the integrity of the building, but will cost less than the original plans, remembering that the new building is not a replica of the old one:

- i) delete fireplaces, saving \$10,000,
- ii) eliminate exterior site wall between patio and parking area, saving \$16,300. This may be added at some future date,
- iii) leave main walkways and substitute decomposed stabilized granite for concrete in other walkway areas at a saving of \$21,000,
- iv) leave east and west balcony walkways as they currently are thereby reducing the patio area somewhat and the number of new doorways at a saving of \$23,700. These walkways, although narrower than originally planned, will continue to connect the enlarged north and south upper patio areas,

- v) stay with the originally planned ballroom area, but substitute the stage and ballroom flooring material from wood to laminate wood material, at a saving of \$31,000,
- vi) eliminate skylight, at a saving of \$40,000,
- vii) purchase replacement kitchen appliances from the MRR fund, for a saving of \$150,000,
- viii) use asphalt roof shingles instead of roofing steel, for a saving of \$73,400.

There are approximately \$150,000 additional cost reductions that must be found before construction can begin. We believe this will be achieved through architectural/contractor modifications, but nothing that will impact the integrity of the original building design. We have the demolition permit in hand and demolition will commence as soon as the \$4M budget level has been achieved. The City of Mesa requires only minor changes in our architectural plans. Despite the delays, the project should be well underway upon your arrival this fall and be completed in time for the 2005/2006 season.

Construction Financing

Nearly 80% of our residents opted to make a \$2,287 lump sum payment, leaving 387 owners who chose to pay their assessment in installments at 6% per annum over a period of ten years. Recently, several of these lot owners have opted to pay their assessment in full. This left the Board with an amount needed to fund of only \$818,000, an amount much smaller than had been anticipated. It now became less practical to go through the added expenses of a bank loan.

Acting on legal advice, it was agreed we could fund privately within VO, offering not more than ten lot owners the opportunity to loan Venture Out \$100,000 each at an interest rate of 6% per annum over ten years. Our attorney further advised us that we could not make this offer to all 1,749 lot owners as it would then require that we comply with all laws relating to Securities offerings, thus negating the savings we hoped to achieve. Therefore after a public vote via Conference Call and attended by approximately 30 year round lot owners, the word went out. By the end of the first week we had received letters of commitment from ten parties. We accepted the first nine received and are holding the tenth in reserve, should anyone wish to drop out. We thank everyone for the phone calls to friends and neighbors which quickly funded this amount. If any other parties wish to be added to the wait list should an investor change his/her mind, they should contact the Administration office which will refer that information to our attorney.

We also have a letter from our attorney detailing this action and what was required of the board, should anyone wish a copy.

Isolation Valves

You may recall that the Board authorized our management to replace isolation valves so that when water problems occur at any site the entire park's water supply didn't need to be shut off. Only the immediate area in question will now be shut off while repair work is being done. This project is now nearly complete with the exception of six valves that are located under units. The project will come in under the \$260,000 that was budgeted from the MRR fund. Due to the many water shut offs this summer, management will have fliers posted with instructions as to how you should do an "easy opening" of your water, to prevent pipes from hammering and standpipe breaks. Be certain to get this flier before turning your water on.

Electrical Pedestals

SRP chose this summer to bring the park's electrical pedestals in line with their safety policies. Forty-one of our residents have received letters from SRP and will have to deal independently with SRP to resolve the safety issue of pedestals being too close or attached to their buildings. The matter of four transformers that must be re-located is still under discussion. While we concur that these adjustments are necessary, they have come at a very busy time.

Southwest Gas

One gas line is currently located under some units near the main entry and must be moved to meet safety standards. Apparently its placement was fine when there were mobile units parked there, but now it does not meet the required codes for more permanent structures. The Board has instructed management to have the problem rectified at a cost of \$11,000 prior to our winter season. This cost will be borne by the MRR Fund.

Pool Fences

Maricopa County is enforcing the new pool code which requires a metal fence of a required height that cannot be easily climbed. Our fence at the east pool is high enough but has been erected on brick masonry, which makes it scalable. The Board has authorized management to replace the fence at a cost not to exceed \$25,000, with funds taken from the MRR account.

Conclusion

While the Board had hoped to avoid an extensive cost review of the new Community Center building, it did not come as a complete surprise. Most planned projects, large or small, need constant vigilance to ensure that budgets are met and that one is getting the most for one's money. The Board remains resolved to provide the residents of Venture Out with the Community Center they expected when this project was initiated. The Board is particularly indebted to our tireless manager, Mary Schmit, our knowledgeable project manager, John Steele, and the cooperation of the architects and contractors in helping it to deal with the changing construction landscape.

Norm

Thiessen,

Florence

Brownridge