

**VAIL RACQUET CLUB
VAIL RACQUET CLUB OWNERS ASSOCIATION ANNUAL MEETING
Saturday - August 8, 2009
Minutes - *Unapproved***

Board Attendees:

Fred Witsell	Board Member - President
Kim Dixon	Board Member - Secretary
Ron Sorrells	Board Member
Monika Perry	Board Member
Mark Christie	Board Member
Richard Moothart	Board Member
Nathan Forrester	Board Member

Matt Ivy	General Manager
Todd Jackson	Controller
Joe Adams	CPA, EKS&H
Beth Hensel	Taking minutes

Call to Order:

The meeting was called to order at 2:39 pm. Notice of the meeting was proven and a quorum was verified.

Approval of the 2008 Annual Meeting Minutes:

Dick White (5-10) made a motion to waive the reading and approve the 2008 Annual Meeting minutes as presented. Jean Dodge (J-1) seconded and the motion passed unanimously.

Report of the President:

Mr. Witsell thanked the attending members. He said the fiscal year ended May 31st and given the economic situation the VRC had a challenging year. He explained that the Association had exceeded their budget expectations even though revenues were down. He said they attribute this to managing expenses and aggressively marketing with a good price point and waiving the minimum night stays. He said it all worked very well for the VRC. Mr. Witsell then introduced the Board members.

Report of the Treasurer:

Joe Adams, the Association's CPA from EKS&H explained that this year was a review year and a full audit is scheduled for next year. He said the VRC is in good standing and gave the Association a clean review.

Mr. Adams reviewed the Balance Sheet and said it is consistent and comparable to last year in assets and the main variance from last year is the lack of debt. He

then reviewed the Statements of Operating Revenue and Expenses and explained that there were no sales of units which the Association owned, so those line items were zero. He said that overall there are only small percentage differences in the budgets of 2008 and 2009 and that Management should be commended for the way they managed expenses in a difficult time. He explained the Change in Fund Balances with the transfer of \$125,000 from operating to reserves. He reviewed the Statement of Cash Flows and said there were no changes in the Notes from last year. He said the Rental Operation was very close to budget. He explained that the Reserve Fund for Repairs and Replacements is not reviewed but still must be included and the only addition was the Decks line item.

Report of Known Candidates for Board of Directors:

Ms. Dixon explained that they have 4 candidates currently nominated for the Board of Directors. She said they were Ron Sorrells (9-6), Henry Mitchell (3-1), Rhonda Salinsky (6-4) and Fred Witsell (0-2). She said they would be accepting nominations from the floor before the election.

Report of the Manager:

Mr. Ivy said he appreciated the great attendance and thanked the homeowners for their participation.

Mr. Ivy introduced the Management staff-

- Steve Loftus – Director of Facilities and Grounds
- Todd Jackson – Controller
- Christine Wight – Lodging Operations Manager
- Iris Nelson – Maintenance Office Manager
- Sandra Perrig – Front Desk Manager
- Annie Ortega – Housekeeping Contractor
- Lindsay Kerwood – Administrative Assistant, Refurbishing and Retail Manager
- Erica Cannava – Group Sales Manager

Mr. Ivy said it was a challenging year and gave kudos to the managers for their dedication and hard work in making the past year successful. He also said that the VRC had received the Platinum Service Award for the 6th Year in a row. He said that the VRC is the only property in town to do so, and he attributed that achievement to the service oriented managers and staff.

Sales Update-

Mr. Ivy reported that in one year, only 10 units have sold when the average in a normal year is between 25-30 are sold. He said 6 one bedrooms sold priced from \$290,000 to \$353,000 and 4, two bedrooms sold priced from \$435,000 to \$500,000. No 3 bedrooms or townhomes sold and 30 units are currently listed. He reported that one bedroom average sales prices were down 7% and two bedroom average sales prices were down 20%.

He added that there were currently no foreclosures and no homeowners were in arrears over 60 days. He said the Association is healthy and made some operational adjustments last year in controlling expenses.

Rental Program-

Mr. Ivy explained that the platinum and gold rated units did well in the past year's economy, but the silver and bronze rated units didn't fare as good. He said reservations were very last minute and that guests were looking for specials and good snow. He said the overseas marketing trips have really paid off as there were high numbers of guests from Germany, UK, Mexico and Canada.

Capital Improvements-

Mr. Ivy reported that the heated pavers around the pool and at the back of the Club building were completed. He said the maintenance yard had been improved with a new dumpster and rebuilt storage shed, among others.

Bighorn Bistro-

Mr. Ivy explained that Art McCann of Bighorn Bistro gave his notice and will not be renewing their lease with the VRC at the end of September. He said they are looking for a new operator. He added that the Bighorn Bistro was in operation for 10 years and he wanted to give his thanks to Art for the great job that they had done.

Recycling Update-

Mr. Ivy said that their office is recycling and that the Town of Vail is still interested in an East Vail center. He said they have no money for that this year and are still scouting for a location.

Pine Beetles-

Mr. Ivy said that they have sprayed again this year and that the experts are still expecting 90% of lodgepole pines to be affected. He said that so far this summer no trees on property have shown signs of being infested.

CO2 Detectors-

Mr. Ivy reported that a Colorado law was enacted regarding carbon monoxide detectors. He said they must be installed in any long term rental units and in any properties that transfer ownership. He said the detectors are a minor cost of around \$15-30. He said they are looking into appropriate detectors for the property and plan to install them in all of the short term rental units as a good business practice.

Email Update-

Mr. Ivy asked that all homeowners who have not done so already, to please give their email contact information to management. He said the website is a great tool for the homeowners with Association documents and updates. He said the address is www.vailracquetclub.com.

Future Challenges-

Mr. Ivy explained that he expects the rental operations to be tough this coming year. He said as of the end of September, they expect to be on budget but there are low reservation numbers for this winter. They are continuing with promotions and expect a lot of last minute travelers. He said he expects a snow driven economy for the winter. He said he agrees with Mr. Witsell that they have a good price point for business and this helps to give the VRC a competitive advantage.

Mr. Ivy said that the Vail property values are beginning to decrease and the Vail Racquet Club is well priced and positioned in the marketplace, making it one of the best values in the valley. He said the property is aging and needs attention but he feels the future is bright for the VRC and it is a good time to be an owner.

Election of Directors:

Nominations-

Mr. Witsell explained there are 3 seats open on the Board of Directors. He asked for nominations from the floor. John Silver (7-14) nominated Tom Dubois (14-24). There were no other nominations and nominations were closed.

Introduction of the Candidates-

Mr. Witsell asked that each of the nominees introduce themselves to the meeting and make a short statement regarding their background.

Ballot Casting-

The membership cast their ballots and they were collected for counting.

Reports of the Committees:

Buildings and Grounds-

Mr. Witsell made some comments regarding the aging of the property and the issues of the decks and facades. He said the Board's objective is to keep the VRC a unique property, to maintain and keep the values up. He said statistically in the past the VRC has outpaced other properties in East Vail in property value appreciation, but not last year. He said the economy was one reason, but also noted that other properties have done substantial exterior improvements which have helped their property values.

Mr. Witsell said that property safety is paramount. He said the decks are aging and showing signs of dry rot. He said the Board has looked at many options and has narrowed them down to two: 1) Patch & repair or 2) Full deck replacement, like was done on Building 6.

Mr. Witsell said the Board hired a 3rd party engineering and scanning firm to do thermal imaging of the decks to see if they showed sign of dry rot. He said that the results appear to indicate the presence of dry rot and some decks need

immediate help with Building 15 being in the worst shape. He said that in competing with other properties in East Vail for property value, the Buildings & Grounds Committee recommended the Alpine Renewal project which would replace the decks and include façade improvements for the VRC. The Board voted to do the full deck replacement over a 5 year time that includes the Alpine Renewal starting in 2010. He said information packets would be sent out to all homeowners with financing packages. He said the Board feels it is necessary to get going on the plan now.

The floor was opened for questions and comments.

Harold Purcell (9-11) said he does not feel that all units need repair and voiced concern that in this market they should not spend a lot of money.

Joanie Tanous (3-5) asked what lessons were learned on the Building 6 deck replacement. Mr. Witsell said that it was completed on budget at around \$470,000 and that the timetable was challenging, but they did learn how to manage timing, materials, etc. He said the replacement greatly reduces the ongoing maintenance costs.

Bruce Noble (11-11) asked why the Board did not allow the homeowners to vote on this issue like for the Club. Mr. Witsell said they did ask the homeowners for Club options but not if it should happen. He said this is a safety issue and the safety issues must be addressed. He said they will look to the homeowners for input on financing options.

Linda Lamberson (9-3) said that she agrees with the Board and thinks they should bite the bullet and get the decks done.

David Littman (7-10) asked what the connection is to tearing down the decks and the façade. Mr. Witsell explained that the façade would need to happen at the same time as the deck work.

Jean Dodge (J1) said she does not want the VRC to look like all the other cookie cutter lodges in the Valley.

Jim Blumenathal (11-15) said he agreed with getting the deck work done but does not agree with updating the exterior.

Harold Purcell (9-11) said he thinks the current exterior is timeless and no change is needed. He added that he did not agree with the tennis bubble going away, and now with the Bighorn Bistro leaving, what is the reason for people to come to the VRC.

Belinda Carlson (11-2) said the proposal was presented in a haphazard manner with no definitive cost. She asked what the cost would be. Mr. Witsell said they

have some cost estimates at \$8 million for the decks and \$4 million for the façades, but nothing is set in stone yet and the Board wants to get more secure financial information before bringing it to the homeowners in the packet that will be sent out.

An owner asked if the decks and the façade are separate decisions. Mr. Witsell said no, they are part and parcel.

Michael Turtletaub (6-2) said the decks are important and we should do those but in these economic times they should not do the façade and the decisions should be separate.

Bob Deffenbaugh (14-26) said he does not want to look like Beaver Creek.

Fred Bernenke (4-13) asked how the values on page 25 of the financial reports were determined. Discussion of the present property value of \$16 million and useful life estimates followed. Mr. Ivy said that the 10 year capital plan with expenditure of over \$500,000 per year does not include the decks.

Thomas Logan (1-14) voiced concern and felt blindsided by the façade change. He said he agrees with the decks and likes the Bavarian look. He said he would like extra information on the façade work.

Serge Goldberg (F2) said that exterior style changes are not a good investment.

David Littman (7-10) feels that safety concerns are foremost, but does not feel ready to make a decision on the exterior work and needs significant and specific cost information.

David Littman (7-10) moves that 1) any safety concerns regarding the decks be promptly addressed, that 2) in a timely manner, the Board send to the homeowners an information packet regarding decks and other projects that might be part of an assessment, that 3) the attending membership does not authorize the Board to move forward on special assessments without receiving information and having an opportunity for input and feedback, and that 4) the Board shall seek suggestions from the membership regarding the facades and other work. John Silver (7-14) seconded. Discussion of the motion followed.

Peter Lathrop (4-14) disagrees on point 3. He said he doesn't feel the homeowners are in a position to make decisions because they do not have the information that the Board has had to base their decisions on. Mr. Witsell explained that the Board was not ready to present the cost information and all of the safety issues to the membership yet.

Bruce Noble (11-11) made an amendment to the motion, which was accepted, that the decks and the facade be addressed as separate issues.

Suzanne Wiggins (7-10) stated that she had agreed with all other assessments in the past but disagrees strongly to this assessment.

Gary Evesson (2-6) asked what exactly the Board voted on yesterday at the Board of Directors Meeting. Mr. Sorrells explained what the Board voted on and referred to the Building and Grounds Planning Committee report on the handout and said they would assemble the details of the Alpine Renewal Plan for the Board of Directors and then get that information to the homeowners. He then called for a vote for the motion on the floor and the motion passed unanimously by a show of hands.

Mr. Ivy explained there seemed to be confusion over the deck and façade improvements and what the Alpine Renewal Project actually included. He explained in more detail that it was not just exterior appearance work, but may also include a number of property improvements for both the Townhomes and the Condominiums. He said the project could address stair tower safety issues, walkways and patio replacements, siding replacements, asphalt replacements, improvements in the Club, etc. He said the Board voted to define the project in more detail and that the owners should not leave the meeting thinking that the Alpine Renewal Project is only about decks and facades, but an entire property improvement plan which could help to address safety issues and increase property values.

Voting Results:

Ms. Dixon expressed her appreciation to the homeowners and asks for them to contact members of the Board with input and additional questions.

Ms. Dixon said the new members voted on the Board of Directors are Rhonda Salinsky, Fred Witsell and Ron Sorrells.

Adjournment:

Dick White (5-10) made a motion to adjourn the meeting. Harold Purcell (9-11) seconded and the meeting was adjourned at 4:30 pm.