

VAIL RACQUET CLUB
Owners Association Annual Meeting
Saturday– August 7, 2010
Unapproved

Attendees:

Fred Witsell	Board Member – President
Michael Bloom	Board Member – Vice President
Ron Sorrells	Board Member – Secretary
Kim Dixon	Board Member
Mark Christie	Board Member
Richard Moothart	Board Member
Rhonda Salinsky	Board Member
Monika Perry	Board Member
Matt Ivy	General Manager
Todd Jackson	Controller
Jerry Orten	Association Legal Council
Joe Adams	CPA, EKS&H
Beth Hensel	Taking minutes

Call to Order:

The meeting was called to order at 2:13 pm. Notice of the meeting was proven and a quorum was verified.

Approval of the 2009 Annual Meeting Minutes:

Mr. Witsell noted that there was an amendment to the minutes that the Board adopted and approved. Mr. White (5-10) made a motion to waive the reading of the 2009 Annual Meeting minutes and approve as amended. Mr. Rende (5-7) seconded and the motion passed unanimously.

Report of Officers:

President's Report-

Mr. Witsell welcomed everyone in attendance and introduced the Board members. He said it was a great turn out and that participation is important. Mr. Witsell said that there had been a lot of rumors and concerns over the past year and he wanted to set the record straight. He continued with a clarification of the Board's position stating that "there are no special assessments planned or being contemplated by this Board". He went on to explain some of the details regarding future maintenance and added that the Association was in good financial position and is currently debt free.

Mr. Witsell said that the restaurant space was hard to fill during tough economic times, but they are very fortunate to have the Alpine Tavern with Bill, Tana and Wendy Stewart along with Peter Haller to run it. Mr. Stewart was introduced and he said he would like to thank the Board of Directors and the Association for giving them this opportunity. He thinks they have a good business model and they will try to keep the prices moderate and quality high. He said they would

appreciate all of the owner's business and support and would welcome any feedback. He added he would like to thank Matt and the management team for all their work and cooperative efforts.

Mr. Witsell said he is pleased to announce the Deck Plan which is a process to address the most critical decks on the property and added that the work on Building 15's decks confirmed the scanning methods. He said the Reserve funding should be adequate to fix the most critical decks over the next few years as long as there are no surprises. He also said the reserve fund should have some help from anticipated Club and Garden Level Rentals operating surpluses.

He stated that they have had positive operating results with the rental program due to great marketing and price point. They plan on getting more weddings and groups next year since the new restaurant is now open. He said he did not know if the unit values had bottomed out yet, but when the economy rebounds so should property values at the VRC.

Mr. Witsell said he felt the information in the President's Letters and Information Packets had been good and the Board had responded to items brought up by the homeowners. He asked the owners present if they read the letters and most indicated by a show of hands that they did read the information. He said it is the Board's responsibility to think of solutions for the whole of the community and not just react to individual desires. He added the demographics of the VRC include 12 full-time residents, 198 second homeowners and about 100 second homeowners who participated in the rental pool. He said ideally the Board should reflect these demographics and represent those interests accordingly. He said he was fortunate enough to hold the position of President for the past 4 years and all officer positions were voted on each year by the Board. He said there are 4 Directors positions up for election this year, 3 from expiration of terms and 1 from a vacancy.

Treasurer's Report-

Mr. Ivy explained that there is a full audit scheduled every 5 years and reviews done in each of the other years. He said that this year was an audit year and he introduced Joe Adams, a principal with the Association's CPA firm of EKS&H.

Mr. Adams explained that his firm performed an audit this year and they gave the Association clean audit with their highest level of assurance.

Mr. Adams reviewed the Balance Sheet and the Statements of Operating Revenue and Expenses. He said that the totals held flat and show a good job on management for controlling expenses. He briefly reviewed the Statements of Cash Flows and explained how the different activities reconcile the cash changes. He explained that the Notes to the Financial Statements have no significant changes from last year. He said that the 10-year Capital Plan is required, but is unaudited by his firm.

Mr. Adams said that overall the Association had a good financial year, is in strong financial health and congratulations to Mr. Ivy and his management team for managing expenses in this tough economy.

Report of Known Candidates-

Mr. Sorrells stated that Michael Bloom (G5), Mark Christie (3-13), Tom DuBois (14-24), Henry Mitchell (3-1), Richard Moothart (5-13) and John Snyder (5-15) were running for the positions open on the Board of Directors. He said they would open the floor for nominations later in the meeting and that everyone would have the opportunity to introduce themselves.

Manager's Report-

Mr. Ivy introduced his management team-

Lindsay Stadler – Administrative Assistant, Refurbishing and Retail Manager

JR Cruz – Housekeeping Contractor; and Volunteer of the Year for Leadville

Craig Holst – Club Manager

Steve Loftus – Director of Facilities and Grounds

Todd Jackson – Controller

Christine Wight – Lodging Operations Manager

Iris Nelson – Maintenance Office Manager

Sandra Perrig – Group Sales Manager

Debra Agnic – Front Desk Manager

Mr. Ivy said it was another challenging year and that the financial success this past year was due to the managers' dedication and hard work. He added that they were responsible for the VRC achieving the Expedia Insiders Select Award and also receiving the Platinum Service Award for the 7th 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.

He added that the Maintenance Department has been accident free for 45 months due to a safety plan implemented by Mr. Loftus that saves the Association thousands of dollars per year. He said that the VRC has a unique situation compared to other establishments in Vail and that managers believe in the property and enjoy working here.

Real Estate Update-

Mr. Ivy stated that there were 11 units sold within the past year (August 2009 to August 2010) with 1-bedrooms ranging in sale from \$263K to \$345K, 2-bedrooms from \$336K to \$460K, no 3-bedrooms and 2 townhome sales for \$600K and \$715K. He reported there are 24 units currently for sale with 1-bedrooms ranging in price from \$240K to \$349K, 2-bedrooms from \$455K to \$495K, a 3-bedroom for \$699K and townhomes from \$599K to \$799K. He said the average sales prices from last year to this year (August to August) have dropped 5% for 1-bedrooms and 15% for 2-bedrooms and no basis for 3-bedrooms and townhomes. He said the VRC property values usually outpace other East Vail properties, however this year the price per square foot

comparison showed that the property values were down relative to other East Vail properties. Mr. Ivy said that there were not very many sales this past year, so the report did not have many comps on which to base the analysis.

Rental Operations-

Mr. Ivy said that this past year was very successful in light of the down economy and that people were shopping for deals and booking very last minute. He said the success was due to having an attractive price point and actively marketing to wholesalers and through the website. He explained that the operation did more room nights than last year, but had lower average daily rates as a consequence of offering competitive specials and deals when occupancy was low.

Software-

Mr. Ivy explained they were in the process of completing implementation and training on the new software. He said they were working to improve the monthly statements and now the homeowners should only be getting one consolidated statement per month. He said in the future, homeowners will be able to view their account by the website and new features will include making a reservation for their unit or checking on rental reservations, as well as country club style charging from the restaurant, retail shop, massages, etc.

CO/Smoke Detectors-

Mr. Ivy reminded the owners that it is a TOV requirement for all sleeping rooms to have fire alarms. He said that maintenance has offered a combination CO detector and fire alarm at cost to owners and said that if any homeowners are still interested in having detectors installed to please contact Iris in maintenance.

Key Control-

Mr. Ivy explained that they now check out owner's unit keys on a biometric system and there is only one key per unit. He said staff who check out keys needs to do so with a finger print and must have a description of who the key is going to and why. He said the policy is to hold something of value until the key is returned and no keys are allowed overnight. He added that this system is a great security improvement for the homeowners.

Restaurant-

Mr. Ivy said he is very happy to work with the Stewarts and Peter Haller. He said they have been working on cooperative marketing and business has been good.

Mr. Witsell thanked Mr. Ivy and his management team and said that the longevity of Matt's staff shows they have great chemistry that benefits the Association as a whole.

Reports of Committees:

Rental-

Ms. Dixon reported that she is pleased with the rental activity in a down economy and that about a third of the units are in the rental pool. She said in the past year they have gotten the new RFID locks and new in-room safes installed. She explained that the standard split for rentals is 55/45 and if you do your own marketing and make the reservation, the splits can be as high as 75/25. She said the new software is a great plus for the rental owners who will be able to check reservations online, but please remember that things can change, so call the front desk if you are planning to come up last minute so they do not rent your unit without your knowledge.

Club-

Ms. Perry said membership is up to a record 302 members. She said a record number of classes are being offered, as well such as pilates and spin. She said the Jr. Swim team is up and running and that Tim Garton, a Hall of Fame swimmer visited the Club and held a master swim class. She said the new ellipticals and bikes were in and they are demoing a new stationary bike. Mr. Witsell explained that they are investigating better check-in options with the new software as well.

Compensation-

Mr. Christie said the committee met with Mr. Ivy and it was very informative on how management hires and promotes its employees. He said they did a study on the pay rates within the valley and found they are on target for some positions but are behind in some others. He said they will be working on resolving disparities in future meetings.

Finance-

Mr. Sorrells reported that the budget for the current year was kept flat and reflects the current economic times. He said they work together with management on the budget and the committee feels that management does a good job. He said they work closely with the Building & Grounds Committee in dealing with the capital issues. He explained the 10-year plan is only a plan and does evolve over time and that as it is shown there is no inflation built into it nor does it reflect the annual 6% increase in reserve funding approved and implemented by the Board. He reported that the Association is debt free and that gives the Association some freedom for future monetary decisions. He said that the detailed 10 year plan is not new, but it is being presented to the homeowners to provide more information as was requested by the homeowners at last year's meeting.

Building & Grounds-

Mr. Bloom explained that the property is 30+ years old and the goal of the Committee is to keep it viable for the least expense. He said they do this by being proactive on maintenance issues. He reported they worked very hard on the deck replacement program and through planning they have made a huge project manageable. He said Mr. Loftus received bids for Building 15 decks

ranging from \$180K to \$315K. They decided to take the least expensive and were very pleased with the work and came in under budget for the project.

Mr. Bloom presented the bulk Comcast proposal and explained it would include digital TV, 7 HBO channels and high speed internet. He said the cost would range from \$52-65/month per unit and would be added to their monthly statement. He said Comcast is requiring 100% participation and that if not all homeowners agree to it, then it would increase the cost per unit. Discussion followed regarding the proposal. Mr. Bloom said they would be sending out information with a questionnaire to the homeowners so they can get feedback.

Mr. Witsell explained the thermal imaging device that has been used to help identify problem areas of the Building 15 decks. He said the Association will purchase an infrared camera and he explained that the plan was to do scanning of all of the decks and that this technique would help to set the priorities of the future deck maintenance and replacements. He added kudos to Mr. Loftus for coming in under budget on Building 15.

Election of Directors:

Positions for Election-

Mr. Sorrells explained there were three, 3 year Board of Director terms expiring and one, 1 year term from a vacancy as the member sold his unit. Mr. Sorrells opened the floor for nominations. There were no nominations from the floor and nominations were closed.

Introductions of the Candidates-

Mr. Sorrells asked each of the candidates to introduce themselves and give a quick biography.

Vote-

Mr. Sorrells explained the procedures in the bylaws state there must be one election for the expired seats and another election for the vacated seats. He asked all nominees to stand and asked if they agree to one single election where by the top 3 vote getters receive the 3-year terms and the 4th vote getter receive the 1-year term. All nominees agreed. Mr. Sorrells then asked the homeowners if they agreed to those same conditions for one election. All present agreed. The vote for the Board election was taken and Mr. Sorrells asked everyone to fill out their ballots and turn them in for counting. The ballots were collected and two homeowners volunteered to help oversee and count the ballots.

Unfinished Business:

The Comcast opportunity was further discussed and Mr. Jackson explained that there were bids from Century Link, Comcast, Qwest and Direct TV and Comcast offered the lowest cost for the most service with the others not even being competitive.

Nick Sweers (8-12) said that he works as an executive in the industry and asked if phone was included in the bundled price. Mr. Witsell explained Comcast has no phone service in this area and Mr. Sweers said he will get the Board in contact with a Qwest executive to get them more information. The Board welcomed that idea.

A homeowner said she has MagicJack and Skype and has no need for other phone service. Ms. Behr (C3) said it would be great to have internet for that price. Mr. Sweers (8-12) suggested that comparisons are included in the information that goes out to the homeowners. Mr. Rende (5-7) asked if the 5 year commitment was by the Association, as well as the individual homeowner and Mr. Jackson said yes.

Mr. Manta (C-1) asked if you would have to buy a digital TV and Mr. Witsell said no but you would not receive the HD channels. Mr. Lathrop (4-14) asked if the commitment would transfer to new owners if a unit sold. Mr. Jackson said yes. Ms. Mathews (12-6) commented that it would improve the property values to have such a service.

New Business:

Harold Purcell (9-11) asked of there is a possibility for a community game room with coin operated machines that could be a source of income. Mr. Witsell said the Board would look into it.

Ms. Johnson (5-2) asked if there were any units under foreclosure. Mr. Ivy said they are not aware of any at this time.

Mr. Purcell (9-11) asked if the homeowners get to elect the officers to the Board of Directors. Mr. Witsell then introduced Jerry Orten who is the legal council for the Association. Mr. Orten explained that the bylaws dictate the Board elects the officers.

Linda Behr (C-3) asked if the First Right of Refusal for homeowners can be extended to the whole complex and not just the building in which you own. Discussion followed and Mr. Bloom explained in the real estate business the Right of First Refusal is actually an impediment to values. A homeowner asked if the First Right can be eliminated and Mr. Orten said it would take an amendment to the declarations which require a vote of 67% of homeowners which is extremely difficult to attain.

Lynn Nicks (A-1) said it would be helpful to receive emails with a direct link to the website so they do not have to use their passwords. She added that the park is fantastic and she would like to see an additional grill, a fire pit and possibly an ice rink.

Patty Bortz (8-3) said that Timberfalls now has recycling and would like VRC to get it also. Mr. Ivy said they have been soliciting the TOV to have a recycling location in East Vail but it will not happen with the current budget restraints. He

said he would look into it and talk with Timberfalls. Ms. Bortz said she is thrilled that there is no special assessment but the Association needs to keep safety first. Mr. Witsell said it is the Board's number one consideration.

Carl Swenson (9-13) asked about the status of the storage units. Mr. Witsell said the Board explored the idea but the response from the homeowners on what they would be willing to pay was prohibitive. Mr. Swenson asked if they could contract it out to him and he would build them. Mr. Witsell said they would look into the legality of that.

Tom DuBois (14-24) asked if the Association still owned any of the units in Building 15 and Mr. Witsell explained that all of the units sold for an average of \$600K but recently an owner sold one of the new units for \$460K.

Bill Hunter (14-25) said he was denied for the first time by the County Assessor to reduce the value on his taxes. Discussion followed and John Silver (7-14) said his got reduced but not until he was scheduled to appear before the State Review Board. He said to keep appealing and keep pursuing until the end.

Deborah Luckett (7-12) asked how much it costs to heat the pool, the feasibility of solar panels on property and when the widening of I-70 happens, could they get sound barriers then. Mr. Witsell explained that the VRC does not have the decibel level required by CDOT to get barriers and that the VRC does buy brokered natural gas. Mr. Ivy said the TOV is very strict on panels and it is currently cost prohibitive. Mr. Witsell said they are currently looking into different options for pool covers that mitigate heat loss and the pool is covered at 9pm each night.

Mr. Kratz (7-6) commented that the people in the rental program would want the cable deal while other homeowners would feel forced to join. He also asked if the ski locker can be accessed by renters. Mr. Witsell explained that the ski locker access is up to the individual homeowner. Ms. Dohahue (12-11) said that Building 12 doesn't have any ski lockers and Mr. Witsell said the Board would look into it.

Election Results:

Mr. Sorrells announced the results of the election and said that the 3-year term Board Members are Michael Bloom, Mark Christie and Henry Mitchell and the 1-year term Board Member is Richard Moothart.

Adjournment:

The meeting was adjourned at 4:45 pm.