

**VAIL RACQUET CLUB OWNERS
ASSOCIATION ANNUAL MEETING MINUTES
Saturday – August 11, 2018**

Attendees:

Fred Bradford	President
Patty Bortz	Vice President
Hal Naiman	Secretary
Michael Bloom	Member
Dave Cole	Member
Richard Moothart	Member
Rhonda Salinsky	Member
Greg Simpson	Member
Fred Witsell	Member
Matt Ivy	General Manager
James Cannava	Association Controller
Joe Adams	EKS&H - Association's CPA
Jonah Hunt	Orten, Cavanagh & Holmes, LLC - Association's Legal Council
Lindsay Stadler	Taking minutes

Call to Order:

The meeting was called to order at 2:06 pm. A quorum was established and notice of the meeting was proven.

Approval of the August 12, 2017 Meeting Minutes:

Judith Schlesinger (1309) made a motion to waive the reading and approve the August 12, 2017 meeting minutes, but noted her name should be corrected and changed to Judith, not Judy. Elaine Selsberg (E2) seconded and the minutes were approved.

President's Report:

Fred Bradford introduced himself and thanked everyone for coming to the Annual Meeting and for completing the Annual Homeowner Survey. He summarized the survey results which the Board of Directors reviewed and then discussed at their meeting yesterday and noted the survey response rate was only 40 % this year.

Mr. Bradford was concerned that several homeowners on the survey had questions about the proxy procedure at the annual meetings and he felt it would be good to clarify the process. He said all owners who aren't attending the meeting have three options on the proxy form including: 1) Submit the proxy for quorum purposes only 2) Give their proxy to someone else who is coming to the meeting or 3) Give their proxy to the members of the Board of Directors to vote as a majority of the individual board members vote. In order to have an official homeowner meeting there must be a quorum which takes 156 units being present at the meeting or by proxy.

He also said that the survey indicated that some owners had the impression the Board was self-perpetuating and noted that only two board members have served more than 10 years and stated that personally he really values longer serving members for their insight and historical knowledge and are a great resource. Mr. Bradford continued that in most of the elections the Board voted their proxies the same way that the floor voted and sighted that 4 of the last 5 years the voting results were the same.

Mr. Bradford reviewed the surprisingly good summer season and overall the Association had a good year. He reminded the audience that they will hear from all of the chairpersons of the Board of Director committees today and that the Rental by Owner issue would be discussed as well.

Mr. Bradford introduced Joe Adams, the CPA.

Treasurer's Report:

Mr. Adams, CPA with EKS&H the Association's independent auditing firm, informed the homeowners that a review this year was conducted which is less in scope than an audit which is done on a 5 year cycle. He noted that the EKS&H opinion was a clean review and the books and records are in great shape.

Mr. Adams reviewed the Financials including the Balance Sheet, Statements of Operating Revenue and Expenses, Statement of Changes in Fund Balances, Statements of Cash Flows, the Notes to the Financial Statements, combined balance sheets and comparisons to budget (all come in under budget).

Mr. Adams highlighted a few key notes through the financials and noted the timing of special assessments. He reviewed the Revenue and Expenses and concluded with the 10 year capital information at the back of the financials as mandatory supplemental information provided by the association, but that it was not reviewed by EKS&H. He said the short term rentals were down 8% which is a reflection of the snow conditions; however management has done a great job keeping expenses down. Mr. Adams concluded.

Judith Schlesinger (1309) requested that the financial reports be double-sided next year.

Report of Known Candidates:

Mr. Bradford reported on the known candidates running for the Board of Directors and said there were three, 3 year terms up for election: Greg Grotke (9-6), Les Levin (12-16), Hal Naiman (P4) and Rhonda Salinsky (15-5).

Manager's Report:

Mr. Ivy thanked all the owners in attendance and for their help establishing a quorum. He added that each year, the staff are working up until the last minute to make sure the

meeting achieves a quorum as the requirement is over 50% of the ownership or 156 homeowners present by unit or by proxy. He reminded the owners that if they were unable to make it to the meeting in the future to please send in a proxy.

Mr. Ivy then introduced the management team to the homeowners and commented on how long each one has been working at the VRCMR. The members included: Wendy Martin – Director of Sales and Marketing / Revenue Manager, Laurel Ames – Front Office Manager, Craig Holst – Club Manager, Iris Nelson – Office Manager of Facilities and Grounds, JR Cruz – Housekeeping Contractor, Steve Loftus – Director of Facilities and Grounds, Jim Cannava – Controller, IT HR, and Lindsay Stadler just recently returned as the Owner Relations Manager.

Real Estate Sales-

Mr. Ivy updated the homeowners on the unit sales and noted 20 units have sold during the past year (August 12, 2017 to August 11, 2018). The number is right on trend with last year with a low inventory and units are moving very quickly. He reviewed the average sales prices.

- 1 Bedroom Low: \$290,000 High: \$395,000
- 2 Bedroom Low: \$450,000 High: \$596,000
- 3 Bedroom No sales
- Townhome One sale \$885,000

In addition, Mr. Ivy noted the average price appreciation increases from last year: One bedrooms increased 7%, the average sales price for the two bedroom units didn't change, and three bedroom townhomes increased 8%. The remodeled units are in the higher price range. A number of units that sold this year had already paid off the special assessment, and those that sold often split the remainder or negotiated it in the price.

Construction Zone –

Mr. Ivy thanked the homeowners for their patience and understanding during the capital project improvements. He understands the inconveniences and empathizes with homeowners on the challenges. Fortunately, with the good weather the projects appear to be tracking ahead of schedule for this year.

Lodging Operational Update-

Mr. Ivy noted that even with 20% of the rental unit inventory taken out from April through June and 6% blocked through August, summer is tracking very well and on pace to be the best on record. He said the results are a combination of higher average daily rate and increased occupancy with many family reunions this summer.

He said even with the low snow year last winter, they were able to purposely cut expenses in some areas and in others such as the Front Desk they couldn't hire enough staff. He continued that the Vail Valley Partnership reported that there were 1600

available jobs in Eagle County and this has not only affected the front desk, but also the restaurant and housekeeping department.

Mr. Ivy was pleased to announce that even with the low snow year, there were some rental income surpluses and the Board of Directors has approved returning the surpluses by providing the fall deep cleans and preventative maintenance inspections for all the short term rental units at no charge this fall.

He explained that the rental revenue split is on a sliding scale with the standard rental revenue income split being 55% to the owner and 40% to the Lodging Operation and 5% to the Club. Then, any surpluses are returned to the participants. He said that the average added return to the participants was an extra 5%, 4 out of the last 5 years, making the effective split a 60% to owners and 35% to the operation and 5% to the Club. He said the amount returned this year is 2% and is being returned through the deep cleans and preventative maintenance.

In looking ahead at the winter season, Mr. Ivy said there has been some talk about a “snow hangover” and guests may wait until the last minute to book their winter vacations depending on what happens with the snow conditions. He said the Annual Rental Participants Meeting is scheduled for Saturday December 8th and they will be able to report on the ski season outlook at that time.

Colorado Bike Race update-

Mr. Ivy reminded homeowners that the Colorado Classic Bike Race will return to Vail August 16th and 17th. He noted that Bighorn Road and the East Vail exits would be closed on Friday August 17th from 9:00 AM through 3:00 PM and asked owners to plan accordingly. He said limited bus service would be available and invited any owners who plan to be in town to join the VRCMR watching party at the East Entrance of the Townhomes.

Blu’s Restaurant –

Mr. Ivy reported that Blu’s Restaurant will not renew their lease this fall. Mr. Ivy said that notification has just started and he is meeting with a potential operator next week. After today, finding a new restaurant will be his primary focus.

Town of Vail’s Short Term Rental (STR) Ordinance; Rental by Owners (RBO) –

Mr. Ivy presented the history of the Town of Vail’s new STR Ordinance and the Associations Exclusive Agent Bylaw. He noted that in the past the Association had come to a compromise with RBO owners and prior to the new ordinance’s requirements the Board of Directors was not looking to make any changes to the current RBO Rules.

2015 – The Town of Vail passed a new ordinance requiring RBOs to get a business license, list the license number and pay taxes.

2016 - Town of Vail reviews employee housing shortage. They become concerned that longer term rentals are turning into short term rentals and are taking away employee housing units.

2017/18 - A third party, DestiMetrics completed an RBO study for the Town of Vail. The study found that out of 10 mountain towns, Vail had the most passive regulations. It was also noted that out of 1500-1800 RBO units just over 300 were compliant and had a business license and the Town had collected \$600,000 in revenue.

December of 2017 – After several meetings, the Town Council passed a new STR Ordinance requiring all RBO units to have a local agent and the Association’s Bylaws do apply to this requirement. “Local” is defined by the Town of Vail as owners living within 60 minutes of their unit.

After the new Town of Vail Ordinance passed in December, the requirements were finalized and communicated in January 2018. The Board of Directors then notified homeowners of the new ordinance and potential bylaw concerns. The Board had no predetermined outcome and decided that the topic was of such importance that they engaged two different legal firms to offer independent legal opinions. In order to receive feedback from homeowners, the Board also held two owner forums and a webpage was created with the owner forum presentations and an owner comment section. Once the initial opinions were received the Board asked follow-up questions, based on feedback received from the owner forums.

At the conclusion of the Board’s due diligence, both legal opinions said:

- The Exclusive Agent Bylaw does apply to the TOV Local Agent Requirement and are legally equivalent
- In order for non-local RBO owners to be compliant with both the Town’s ordinance and the Association’s Bylaws they must rent through the Association’s existing Lodging Program
- The Association cannot provide only Local Agent services to RBO owners because it would be in violation of the Bylaws and Rules
- The Board cannot issue a resolution stating that Rental by Owners may designate a “local agent” only for the purposes of the Town’s code requirements
- The Bylaw should be enforced, the Board has a duty to enforce, the Association cannot postpone enforcement
- The Association could be sued for not enforcing the Bylaws

The TOV compliance deadline was March 1, 2018, however the Board offered RBO owners at the VRCMR a grace period until November 1, 2018 to comply with the Bylaws. Mr. Ivy reported that there are currently 28 non-local RBO units listed at the VRCMR, so about 9% are affected. He said that 11 of the RBO owners currently have a license with the Town of Vail.

Mr. Ivy stated that prior to the new ordinance; the Association was not seeking any changes to the RBO Guidelines and Rules. He said that due to the Town of Vail’s local

agent requirement and independent legal opinions, the Board had a duty to enforce the Exclusive Rental, Lodging and Overnight Occupancy Agent Bylaw.

Mr. Ivy updated the audience and said some of the RBO owners presented a letter to the Board at the conclusion of their meeting yesterday evening. He said the letter will be distributed to the Board members and it will be sent to legal counsel for review. Once the Board has received and reviewed counsel's feedback, there will be a follow-up communication sent to homeowners.

In closing, Mr. Ivy thanked the homeowners on behalf of the staff and appreciated the opportunity to be at such an exceptional property.

Committee Reports:

Rental-

Patty Bortz, chairperson for the rental committee, presented the benefits the Rental Operation provides to all of the owners. She said it is important to step back and see how critical the program is and why it's such a necessary and vital piece of the VRCMR. She thanked owners who completed the Homeowner survey and noted how helpful the information is to the BOD. Some of the survey comments mentioned the new Town of Vail ordinance and a few owners even commented about getting rid of the rental program. Ms. Bortz reviewed the history of the property and intentions of the developers, Walter Kirch and Jay Utter. It was clear to the founders that on-site management was necessary with such a large property consisting of 311 units and a private club. They made the Association the exclusive agent for rentals since one property manager (opposed to many different managers) helps to ensure the reputation and quality standards of the property, enhances property values and is a benefit to the entire community.

Ms. Bortz noted without the rental operation there would not be a housekeeping department, individual unit maintenance for owners, a full staffed front desk (HOA pays for 1 agent, 5 days/week, 8 hours a day) or 24 hour on call service. She noted the financial contributions the Rental Operation made to the Club this year (\$143,000), Front desk (\$182,000) and how the program helps to pay for trash, trucks and property taxes. She said that all property marketing is funded 100% by the rental operation which helps promote the club, restaurant and real estate sales. She mentioned how essential it is to have a restaurant on property and that the Rental Operation pays for 100% of the restaurant marketing that is done by the Association. She also explained how the rental operation enhances all of the property values and she presented a sample real estate ad which lists all the amenities of the property and included the Rental Program as a selling point which makes the VRCMR so special.

Ms. Bortz concluded saying that no other properties offer what we offer and losing any of the services and amenities supported or provided by our Rental Operation would have an impact not only on the value of our real estate, but most importantly, on the personal

enjoyment and lifestyle that is provided at our exceptional resort. She stated that it is why she purchased here years ago and many of you indicated the same on your surveys.

Finance-

Mr. Witsell, chairperson for the Finance Committee, began by stating the fiscal year runs from June 1 through to May 31. He explained the advantage of the fiscal year is that it incorporates one full summer and winter season rather than splitting seasons. Mr. Witsell reiterated the clean review by EKS&H and added that the Association does a full audit once every 5 years. Mr. Witsell noted he has been on the BOD 15 years and has never seen an issue with the books.

He reported that even with a robust special assessment, there are not any issues with owners being delinquent in their payments and the finances are in great shape. He highlighted a few of the successful capital projects including safer decks, the bike barn, tennis courts, landscaping and the pickle ball court. He noted the Association has pushed through the bad snow year and reminded owners that just one good snow storm during a Denver Broncos game was all they needed to get people to start making winter reservations. He mentioned the small increase in the operating assessment was only 1.6% and recently such increases have largely been to accommodate utility increases and that the Water & Sanitation District has been aggressive in upgrading their facilities.

Mr. Witsell reviewed that the 10 year capital plan is a great planning tool for the Board of Directors and Management. There are typically two strategies for running an association; assess as you go every time property maintenance needs to be done versus having a Reserve Fund like our property does. The capital plan is flexible for example if a parking lot doesn't need to get paved then they will hold off and adjust the schedule. He concluded that the property is run very well.

Mr. Bradford thanked Mr. Witsell for serving on the Board for so many years and noted that unfortunately his term was up and he was not running for election this year. Mr. Bradford stated what an incredible job he has done and how great he is to work with.

Club-

Rhonda Salinsky, chairperson for the Club Committee, reported that the club is running great with 281 outside members. She said they increased the membership rates last year and had anticipated on losing a few, but fortunately they still have about the same number of members after the increase went into effect. She said the club membership cards are working well and to please see Craig Holst the Club Manager if any owner has not yet had their club owner cards made. She reminded the owners the great value of the \$80 owner family membership which includes kids, grandkids, parents and grandparents. Ms. Salinsky said in addition to the homeowner survey, they sent out a club member survey as well. She mentioned how important and helpful feedback is on

the club equipment and locker rooms and encouraged all owners to speak up and report any issues/concerns.

Ms. Salinsky reviewed all of the club improvements this year including new carpet on the stairs and in the fitness center, 2 Peloton trainers which offer prerecorded and live classes, new lane lines in pool, new workout mats and weights and stand up paddle board yoga classes. She also reported on how successful the tennis and pickle ball program is and that the pros, Greg and Steve, have been running clinics all summer. There was also a Nike Youth Tennis Camp this summer with 8 participants and they are hoping to attract more kids next year.

Ms. Salinsky encouraged all owners to attend the Annual Owner/Member Tennis social in July. She concluded that they were so pleased with the turnout with about 20 playing tennis and 50 at the BBQ.

Building & Grounds Committee-

Steve Loftus, the Director of Maintenance, reported that the Major Capital Projects kicked off construction almost exactly two years ago. He reviewed all of the completed projects and the budget vs actuals. The completed projects include:

- Building 12 decks, patios, walkways
- Regulation tennis courts and pickle ball court with new patio and extensive landscaping
- Building 3 decks, patios, stair towers
- Bike Barn
- Building 5 decks, patios, walkways and stair towers
- Townhome exterior renovations at F, J, K completed and M, N, O and P are underway

He was pleased to report that projects are ahead of schedule and overall so far so good, and everything is within the overall budget. Mr. Loftus commented on the overheated construction market, but his hope is to keep all the contractors around who have done a good job.

Mr. Bradford concluded that Steve Loftus was a star and the Association was very lucky to have him.

Election of Directors:

Mr. Bradford said there were 3 positions up for election, each for a 3 year term. He opened the election proceedings and asked for any nominations from the floor.

Chris Barr (9-18) said he had an interest and nominated himself. There were no other nominations and nominations were closed.

Mr. Bradford introduced the candidates: Greg Grotke (9-6), Les Levin (12-16), Hal Naiman (P4), Rhonda Salinsky (15-5), and Chris Barr (9-18). Each candidate stood, introduced themselves and were given 3 minutes to address the audience.

Vote-

Votes were cast and collected for tallying. Mr. Bradford asked for homeowner volunteers to help count the ballots and Bob Donohue (12-11) and Betty Janik (15-11) volunteered.

Unfinished Business:

There was no unfinished business.

New Business:

The floor was open to the homeowners for questions.

John Snyder (5-15) said he owned his unit since before it was built. He suggested everyone should go look at building 5 as it has never looked so good. He said Steve Loftus is incredible and thank you. (Applause)

Susan Bradley (7-05) asked Matt Ivy to clarify if the TOV agent needs to be licensed in Colorado. Mr. Ivy said that he was not aware of any license requirement for Colorado at this time and noted the Town of Vail has more info regarding the new STR Ordinance on their website and also had a dedicated number that could be called. Susan asked if the TOV agent is defined as someone who takes reservations and manages the property. Jonah Hunt, Association's Legal Counsel, explained that the ordinance doesn't have those requirements and the Association's exclusive rental, lodging and overnight occupancy agent scope is more broad than someone who takes reservations.

Michael Turteltaub (6-02) requested that before the locker room and club upgrades begin next year, please have the club towels upgraded. They feel like sandpaper.

Les Levin (12-16) asked that if the Board is protecting the bylaws regarding the Rent by Owner issue and had they considered an alternative of changing the Bylaws? She also asked if current owners could be grandfathered. Mr. Bradford said that the Board of Directors spent many, many hours on this issue and a Bylaw change was considered. Mr. Ivy added that in order for a Bylaw to be amended by the Board, they must make certain that the amendment does not adversely affect the majority of owners. Otherwise, it requires a special meeting with 50% of the owners voting to approve the Bylaw change. He said the Board could call a special meeting or a homeowner could bring forward a petition for a special meeting with signatures from a majority of homeowners.

Bill Andrus (12-12) wanted to confirm that of all the 28 RBO non local owners that only 11 currently have the Town of Vail STR license. Mr. Ivy confirmed.

Jay Yedlin (12-09) asked how the Board votes the proxies that owners assign to them. Mr. Ivy answered that Board members have a different colored ballot so they can be distinguished from the regular ballots and each BOD member votes individually. Then, the individual Board votes are collected and tallied and voted according to how the majority of the individual Board members voted. Mr. Yedlin asked for the number of proxies assigned to the Board, proxies to someone else, quorum only and owners in attendance. Mr. Ivy continued that there were 44 proxies to the Board of Directors, 40 proxies to someone else, 14 quorum only proxies and 87 units present at the meeting.

Mr. Fricks (N-2) informed the audience that unit N2 is for sale and will be officially listed on Monday. The unit has been completely renovated to a high standard.

Scott Christian (7-02) commented that the bike barn is wonderful and he complimented the Board for doubling the original size. He noted that he has seen some empty spots with locks. Mr. Christian also asked if anything can be done about the bikes under the decks around property.

Mr. Ivy said that the bike barn is currently only available to homeowners and stated that many of the bikes seen around property belong to long term renters. He explained that the size of the bike barn was based on owner responses on the annual survey and said they originally thought that there might be adequate space to possibly include long term renter's bikes. He said based on the large response from owners, they are now discussing ways to possibly manage the number of bikes.

Christy Greenblatt (N-1) said that some people leave the locks in the bike spot when they take their bikes back and forth. She also mentioned there are very few full-time owners and said that packages were stolen from her unit's porch last year. She also feels like the meeting has been too renter focused.

Judy Weingarten (1-07) noted that there is room for 2 bikes on each of the hanging wall hooks, but many currently only have one.

Mr. Bradford said it is evident that more instruction is needed on the bike barn.

Patty Pickering (9-19) said they love the bike barn and wished it was bigger. She suggested assigning numbers.

Mr. Noble (11-11) asked to confirm that any owner renting long term more 30 days are in compliance with bylaws and do not have to have a TOV STR license. Mr. Ivy confirmed the statement.

Dan Aizenman (14-10) said he has a problem with people smoking on the ground floor units below him. Mr. Ivy said to see him after the meeting and he could assist him.

Becky Kennedy (5-10) stated that all of the owners don't have to routinely approve the actions of the Board at the end of the meeting, owners do have the ability to change the bylaws, that one of the Board members was not an owner and the Board was informed of this and did not respond to the owner who reported it to them, and then they quickly changed bylaws to allow spouses to serve on the Board. She continued that a member of a LLC can serve on the Board and is financially responsible and has more interest in a property than the spouse of an owner. Ms. Kennedy also said that she raised her concerns to the Board and said "shame on you" to all the owners as the amendment was even identified in one of the President's updates. She requested that the audience not approve the Board actions.

Mr. Bradford responded that the Board member Ms. Kennedy is referring to is the spouse of an owner whose name was not on the actual unit title at the time. Legal Counsel was consulted and advised the Board that it was not a concern according to Colorado law and not prohibited in the Bylaws, but suggested the Board clarify the Bylaw so there wouldn't be any confusion in the future. He then recognized Hal Naiman to comment.

Hal Naiman informed the audience that he is the Board member Ms. Kennedy is talking about and he said that no one would want to be a member of the Board if they weren't invested. He clarified that he originally took title of the unit in his name and then it was put into his wife's name for tax purposes and that he never once considered himself not an owner. He said he has gone through a divorce and the title is now in his name. He said that the intention was always clearly there, that he was an owner. Mr. Naiman also clarified that the Board amended the Bylaws upon recommended from the Association's legal counsel.

(Statement of clarification; the Board received an email from an owner three days before their August 2017 Board meeting stating a concern that spouses who were not on the unit title should not be eligible to serve on the Board. The owner received responses from the Board President on September 1st, September 19th and November 27th and was told the matter was being reviewed by counsel.

The Board thoroughly reviewed and considered recommendations from counsel to clarify the status of a spouse, not listed on a deed, as it pertains to their eligibility to serve on the Board. It was noted that the Governing Documents do not give express consent for a spouse to serve as a Director. Counsel informed the Board that spouses have a number of rights both actual and implied, that eligibility for Board service should be harmonized by clarifying that spouses are afforded the same opportunities that are expressly provided to officers, managers or employees of a partnership, corporation, trust, LLC, or other entity. They further stated that there is no express prohibition disallowing spouses to serve under Colorado's Revised Nonprofit Corporation Act and no violation of Colorado Law. Upon recommendation from counsel, the Board adopted a clarifying amendment to the Bylaws and included the amendment with an explanation in the December 2017 President's letter sent to all owners).

Election Results-

Mr. Bradford reported that the homeowners elected to the Board of Directors are Hal Naiman, Rhonda Salinsky and Greg Grotke.

Mr. Bradford said that the last order of business on the agenda is to approve the actions of the Board and called for a vote. Scott Christian (0702) asked what happens if the actions are not approved. Jonah Hunt (Association's Attorney) said that if the ownership did not approve the actions it would be noted in the minutes but would not result in any reversal of the actions made; that it was advisory in nature. He noted that it is part of the agenda as outlined in the Bylaws and suggested that any owners dissatisfied should vote as part of the democratic process.

Betty Janik (15-11) reminded Mr. Bradford that it is only 1 vote per unit/ household.

Mr. Bradford again asked for a vote to approve the actions of the Board Members this past year. The majority of the homeowners present voted in favor to approve the actions of the Board over the previous year. (71 approved, 16 opposed)

Adjournment:

Fred Witsell (O-2) motioned for the meeting to be adjourned and Ron Clark (1507) seconded and the motion passed.

The meeting adjourned at 4:27 pm.