

**VAIL RACQUET CLUB OWNERS ASSOCIATION
ANNUAL MEETING MINUTES - Approved
Saturday – August 15, 2020**

Attendees:

Fred Bradford	President
Patty Bortz	Vice President
Hal Naiman	Secretary
Dave Cole	Member
Greg Grotke	Member
Richard Moothart	Member
Rhonda Salinsky	Member
Molly Daniels	Member

Absent:

Greg Simpson	Member
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Matt Ivy	General Manager
James Cannava	Association Controller
Joe Adams	Plante Moran
Jonah Hunt	Orten, Cavanagh & Holmes, LLC - Association's Legal Council
Lindsay Stadler	Taking Minutes
Heather Gilman	Verifying Quorum

Mr. Ivy made introductory comments and announced that the Annual Meeting had not yet reached a quorum at this time and reported that there are currently 40 units that have joined the meeting remotely, 9 proxies to someone, 37 to the Board of Directors and 13 for quorum only purposes. He said owners are still logging in so the quorum count will continue as the meeting proceeds and he would provide updates. Mr. Ivy said that the Racquet Club Owner's Association needs 156 votes (by proxy or attendance) to have an official meeting of the Association. He confirmed with Mr. Bradford (Board President) that the meeting should continue moving forward.

Mr. Ivy stated that if there is not a quorum, the meeting would not be an official meeting of the Association. This means the meeting would be informational only and provide HOA updates. Therefore, the 2019 Annual Meeting Minutes cannot be approved (they would roll over to the next Annual Homeowner Meeting) and an official Board of Director election would not take place.

Mr. Ivy reminded the audience that owners were asked to submit questions ahead of time since 100 people are expected to join the meeting. He asked that owners do not raise their hand during the meeting, but instead make a note and email any follow up questions to VRC.HOA@vrcmr.com.

Mr. Ivy said the Association did receive enough RSVPs to meet a quorum and he hoped that more owners would continue to join the meeting as it proceeds. He then introduced Mr. Bradford, the President of the Board of Directors.

Call to Order:

The meeting was called to order at 2:02pm. Notice of the meeting was proven and a quorum was not yet established.

President's Report:

Mr. Bradford welcomed and thanked the homeowners for attending the Annual Homeowner Meeting and acknowledged what a very unusual year this has been. He said one would think the Board of Directors would have less to do considering the closures due to COVID-19 this spring, however, it has proven to be quite the contrary. The Board has met more often and has been working very hard as well as the VRC staff.

Mr. Bradford informed the audience that they will receive updates from each Board committee chairperson today. He encouraged owners to continue to participate in their Association and mentioned that a Homeowner survey will be sent out soon and would help guide the Board of Directions and help to make the VRC an even better institution.

Mr. Bradford introduced Joe Adams, the Association's CPA.

Treasurer's Report:

Mr. Adams (CPA) said his company, Plante Moran (the Association's independent auditing firm), conducted a review this year which is less in scope than an audit. He reported it was a clean review and the books and records are in great shape. He conveyed that Mr. Cannava and his staff have done an outstanding job.

Mr. Adams reviewed the FY2020 Financials including the Balance Sheets, Statements of Operating Revenue and Expenses, Statement of Changes in the Funds Balances, Statement of Cash Flows and the Notes to the Financial Statements. Overall, it is a strong balance sheet.

Mr. Adams noted the Cash and Cash Equivalent's decrease was due to special assessment expenditures and appropriate use. He mentioned that the Paycheck Protection Program Loan is shown as a liability and the HOA will apply for forgiveness.

Mr. Adams reported that the Rental Operation was having a really good year until COVID hit in March and fortunately it concluded the fiscal year without a loss. He said

Mr. Ivy and his team did a great job of matching the revenue decrease with expense decreases and reviewed the excess of revenue over expenses for FY20.

Mr. Adams pointed out the 10 Year Capital Plan on page 23 is not reviewed by Plante Moran but is a required disclosure prepared by Mr. Loftus and reviewed by the Board. Mr. Adams encouraged owners to review the Financials and email Mr. Cannava and Mr. Ivy with any questions.

Manager's Report:

Mr. Ivy provided a quorum update and said the numbers are still behind with 127 units currently represented. He will continue to provide updates as the meeting proceeds.

Mr. Ivy then reviewed the management team and noted how long each employee has been working at the VRCMR. The members included: Craig Holst – Club Manager (21 years), Iris Nelson – Maintenance Office Manager (21 years), Jim Cannava – Director of Finance and Operations (18 years), Steve Loftus – Director of Facilities and Grounds (15 years), Lindsay Stadler – Owner Relations Manager (10 years plus 2 years), Heather Gilman – Accounting Manager (9 years), Wendy Martin – Director of Sales and Marketing / Revenue Manager (8 years) and Laurel Ames – Front Office Manager (6 years), and JR Cruz - 3E Cleaning/ Contract Housekeeper (26 years). He explained that it is very unusual to have this kind of longevity in Vail and this is the core group who held the VRC together this spring and their efforts and hard work are appreciated.

Real Estate Sales-

Mr. Ivy updated the homeowners on the unit sales and noted 25 units have sold from August 10, 2019 to August 15, 2020 compared to 21 units sold last year. He reported that there are currently 8 units listed for sale and over the past year there were generally only 0-4 listed for sale which helped drive prices. This summer, the number of units for sale has been hovering around 7 or 8 and most units have sold quickly with a few being slower to move.

- 10 - One Bedroom Condos \$350,000 - \$429,000
- 8 - Two Bedroom Condos \$569,000 - \$680,000
- 0 - Three Bedroom Condos
- 7 - Townhomes \$772,500 - \$1,325,000

Mr. Ivy reviewed the appreciations per unit type. Year over year, One Bedrooms increased 2%, Two Bedrooms increased 3% and the Townhomes increased 37%. He said there were some lower priced sales last year at the Townhomes and now there's been some catch up which is a nice and healthy increase. Mr. Ivy also reviewed past appreciation from 2017 – 2019. He added that property value increases have followed the Major Capital Projects timeline and although a special assessment is difficult, it has had a positive effect on property values.

Third lane on I-70 and Sound Mitigation

Mr. Ivy said adding a third lane to I-70 over Vail Pass is being considered by CDOT. Previously, there were assurances that noise mitigation would occur at the same time. However, he said he attended a presentation and unfortunately, it was reported that the noise levels throughout most of East Vail and along the VRC were not loud enough to add any sound mitigation. He expects there to be more presentations and research and will inform owners if there is an opportunity for them to comment; he said we all may need to make some noise in order to mitigate the noise.

Recycling -

Mr. Ivy reported that the HOA has been charged additional fees because the recycling has been contaminated with trash. He reminded owners that plastic bags, Styrofoam or items with food on them such as pizza boxes are not recyclable and must be thrown away in the trash dumpsters, not the recycling containers. He said it is important to support recycling and the VRC green initiatives and encouraged owners to use the dedicated recycling dumpster by Building 13.

Electric Vehicle Charging Stations -

Mr. Ivy thanked all who filled out the Electric Vehicle Charging Station survey which conveyed that many were interested and thinking about electric vehicles for the future. He reported that the HOA did not receive the grant this go around, but there may be future opportunities for grant funding and options are being explored.

Heirloom update -

Mr. Ivy said Heirloom Restaurant at the VRC is currently open Wednesday – Saturday evenings. They are following proper distancing protocols and are also offering To Go options. Mr. Ivy encouraged everyone to support the restaurant as it is an important amenity to the VRC and mentioned that other operators are not standing in line to open a restaurant in East Vail.

Bike Storage -

Mr. Ivy acknowledged that some owners are discouraged about the current bike storage building availability and waitlist. He explained that a past homeowner survey (before the special assessment) indicated a need to store only 118 bikes. The current bike storage building allows for 186 bikes and currently 216 bikes have been allowed into the space. Mr. Ivy said that there are currently 38 owners on the waitlist. To help remedy the situation, the VRC has implemented a decal program and all bikes must now be registered. Any owner who has not registered their bikes should connect with Ms. Nelson, the Maintenance Office Manager. Mr. Ivy added that Mr. Loftus will report today on additional bike storage options for the future. He added that the HOA may consider a system that would charge a fee as well and requested that any bikes not being used be moved out to make more space for others.

Locker Room -

Mr. Ivy reported that the big project of the fall 2019 was the Locker Room renovation which he was pleased to report was completed on time and on budget, and the outcome has received rave reviews.

COVID -

Mr. Ivy reviewed the Association's response to COVID beginning with a President's letter on March 6th when there was only 1 reported COVID case in Vail. Then, over the next week everything exploded. On March 13th owners were updated on the cleaning/disinfecting procedures and then on March 14th someone in a townhome unit was quarantined with COVID and Eagle County Health suggested to Mr. Ivy that the Club should be closed. At noon on March 14th the Club officially closed and the VRC went from having a great winter season to closing its doors; except for essential services.

Mr. Ivy said the Association is working diligently and is in compliance with all orders and all facilities have their own protocols. He presented examples of VRC signage and protocols and commented on how quickly the Association had to react to the new and constantly changing town, county and state orders. He said they are staying on top of the COVID situation and working hard to protect everyone coming into the building including owners, employees, members and guests.

Vail Health –

Mr. Ivy reported that Vail Health has seen a decrease in COVID cases. The community has now moved from an extreme caution "red phase" to a less cautious "yellow phase" and said as of Tuesday of this week, there were no COVID patients in the Vail hospital. Unfortunately, Eagle County has seen a large increase in Behavioral Health Issues. He asked owners to please remember that everyone is dealing with this crisis and the underlying stress. He said there have been only a few incidents with people not wearing a mask and thanked everyone for continuing to wear a mask.

Town of Vail –

Mr. Ivy reviewed what businesses are currently open in Vail – Restaurants are open at 50% occupancy with tables 8' apart. The Town of Vail has allowed restaurants to extend their liquor licenses and serve alcohol beyond the permitted areas. They have also set up open container areas for visitors to relax and enjoy the outdoors in legal spaces. The town feels very European and people are really enjoying it. He continued and said many are concerned about winter business and restaurants surviving. He said Vail Resorts has announced that the Mountain will be open this winter.

Club Facilities –

Mr. Ivy confirmed the pool and outdoor hot tub are open and the pool registration system is up and running. Mr. Ivy said that a few of the facilities are not open at this time. The steam rooms and saunas are not allowed to be open; and locker room showers and adult hot tub are not open, and towels are not being offered. He said they

do not feel these can be safely opened and monitored so the HOA is exercising caution as safety and liability concerns are paramount.

Mr. Ivy expressed that the changing environment can be stressful, and it is a difficult time for everyone. Please keep that in mind; be patient, kind and considerate. He added that we're all in this together, but he can't think of a better place to be. The VRC is on over 20 acres, with 32 buildings, Gore Creek flowing through the property and lots of elbow room. Mr. Ivy recited the VRC's marketing message, "*Explore the Distance, Vail's Only Resort with 20 Spacious Acres*".

He concluded that he and staff appreciate working at the VRC and thanked the owners.

Mr. Ivy reported that currently the meeting is 25 units short of a quorum and official meeting.

Committee Reports:

Buildings and Grounds Planning Committee –

Mr. Loftus reviewed the completed Major Capital Projects.

- Building 12 decks, patios, walkways, retaining walls, bridge
- Two new regulation size tennis courts and pickle ball court
- Building 3, 5, 13, 14 decks, patios, stair towers
- Bike Storage Building
- Townhome exterior renovations
- Playground – timber retaining wall was replaced with a boulder wall
- Women's and Men's Locker Room Renovation

Most projects were completed on time and within the overall budget and the natural gas fireplace conversion is underway and will continue through next construction season.

Bike Barn Storage –

Mr. Loftus reported that the bike barn is oversubscribed, and he is talking with the bike rack reps and reviewing solutions. Mr. Loftus reviewed options such as a drawer system for upper racks which slide out and the tire is rolled up so you don't have to work hard to lift a bike. This new system would add 42 more bikes, and concluded that he is waiting on numbers and would like to move forward with this next year due to the demand.

Locker Room Project –

Mr. Loftus reviewed the Locker Room Renovation project. The original plan did not accommodate both a sauna and steam room in each the Women's and Men's Locker room. Mr. Loftus encouraged the architect to come up with some alternative plans and ultimately the final plan required a total reconfiguration of the space and a far better outcome. Also, the VRC was required to add a family room which wasn't foreseen when

planning the project 5 years prior. Mr. Loftus said the final result is impressive and it will be nice to use all the facilities after COVID.

Playground/ Pool –

Mr. Loftus reported that the playground retaining wall was replaced with boulders and was improved aesthetically. During the COVID-19 shut down, Mr. Loftus was able to confirm a pool leak and since this is such a popular amenity they were able to divert some of the playground funding to re-plaster the pool and repair the leak during the shutdown.

Fireplace Conversion Project –

Mr. Loftus said just a few weeks ago the first gas fireplace was installed in building 4 and it went smoothly. This week, all of the remaining fireboxes at building 4 will be demoed and then next week the flues, gas piping and fireplaces will be installed. The VRC will need to pass final Town of Vail inspection and then Xcel will connect the gas.

Mr. Loftus said they plan to move forward with the gas fireplace conversion at building 3 and then building 5. He said the owner owns the firebox and their approval is required before the conversion can proceed. There are 16 units in building 3 and they have only received enough approvals to proceed with 5 out of 16 fireplaces. Owner authorization has been slow and therefore they won't be able to make much progress unless owners respond more quickly. Mr. Loftus said they are going to send out the fireplace conversion authorization forms out to building 5 owners next week and will continue on and move where they get approvals.

Electric Vehicle Charging Station –

Mr. Loftus reported that the VRC did not get approved for the EV charging station grant, but they can try again. Mr. Loftus said he has been proactive during the existing construction and buried a conduit behind Building G where a dual port charge could be installed. Also, the panel at building 14 has been upgraded to accommodate a charging station and he would also like to see a dual port near the Recycle dumpster.

Rental Committee-

Ms. Bortz, the Rental Committee Chairperson, welcomed everyone. She wanted to recognize Mr. Ivy, Mr. Cruz and Ms. Martin and all of the staff who have done a great job during these incredibly challenging times. She said the Short-Term Rental program is important to the VRC and by offering services it enhances the owners experience and property values. It also helps to fund the Club and staff positions and without this program the owner monthly dues would increase to cover these costs.

Ms. Bortz reported that the bad news is revenue is significantly down from last year but ended up better than budget. Everything is so uncertain and fortunately, due to the foresight of previous Board of Directors, there is a 350K Reserve Fund. Without these reserves, the rental participants would be assessed for any operational losses. Ms. Bortz

said like the rest of the hotel industry, there are currently no cancellation fees. She added that Ms. Martin, the Director of Sales and Marketing, has done an excellent job marketing and spreading the word that the VRC is a great place to visit and social distance with plenty of open space, separate unit entries, close proximity to hiking and biking trails, and many other outdoor family activities. Ms. Bortz again thanked the VRC staff for all they have done.

Club Committee –

Ms. Salinsky, Chairperson for the Club Committee, thanked Mr. Ivy for the Club protocol updates. She reviewed that in December of 2019 the locker room renovation was completed. Soon after, the locker rooms and club were closed down on March 14th due to COVID. She said the Club is a high touch facility and policies have changed, sometimes daily. She noted what a challenging time it is and that they understand the new policies are not always easy to follow (for the staff too) and patience is key.

Ms. Salinsky reported that there are currently 224 outside club members in addition to the VRC homeowners. The club hours are 7AM – 7PM. There is a new sign-in procedure and members/owners are required to sign a liability waiver and membership pledge before using the facilities and a mask must be worn. The locker room showers and towels are not available as they cannot be managed safely, and the sauna and steam rooms are not allowed to be open. She reviewed the cleaning and disinfecting schedule and also said that Owners/ members are asked to sanitize the fitness equipment before and after each use as an added precaution. Ms. Salinsky informed the owners that some of the cardio equipment has been relocated to the Elk Meeting room (off the lobby) to allow for more social distancing and the free weight area is limited to 2 people unless members are of the same household.

Ms. Salinsky said the pool reopened and now has a reservation system to help control the allowable capacity. Mr. Holst, the Club Manager, sent out the pool reservation link. She also said a pool attendant was added to help monitor the pool reservations and make sure people are keeping space and no more than 6 are allowed in the hot tub. Currently no outside guests are allowed and only owners, members and rental guests are allowed to use the club facilities and they must bring their owner towels. They did not want to take space away from owners and members and said the Board of Directors would continue to monitor the club usage.

Ms. Salinsky was happy that Master Swim is occurring and added that Yoga and Pilates classes are available and take place outside. The class schedule can be viewed on the website. Also, the Tennis and Pickleball courts have been very busy.

Ms. Salinsky said they are following all of the governmental regulation and the health and safety of the VRC owners and club members are the highest priority.

Finance-

Mr. Cole thanked the owners in attendance. He said the Board of Directors reviewed FY2020 results and the VRC had a good year even with the significant revenue reductions and State, County and Town COVID restrictions and closures. He said the positive results were due to significant cost cutting and complimented management for their tight controls.

Mr. Cole reviewed the process of budgeting for the FY2021 and the approved "Base Case" Budget which assumes no initial revenue for club and rentals and slowly builds as the year progresses to about 50% of revenue. This budget will be reviewed periodically during the year and adjustments may be made based on changing situations related to the pandemic. He is happy to report that the VRC has had more revenue than anticipated and is ahead of budget this fiscal year, but reminded the owners that the Association was budgeting a deficit and is hopeful the positive trend will continue.

Mr. Cole reported that HOA is financially sound and has strong reserves and confirmed that the VRC received the PPP loan which is expected to be forgiven. He said historically the capital reserve had a \$500,000 target which the Board has planned to increase to \$1,000,000 over time in order to keep up with the needs of the property. He mentioned the Board reviewed selling the Garden Level Rentals and concluded that they are of greater value to the Association being retained since they provide significant contributions to the capital reserve, and this is a very good decision for the long term financial health of the Association.

Mr. Cole said he is an original owner and upgraded from a condo to a townhome when they were built. He said the property looks better than ever and is in great shape. He confirmed his Board of Director term expires today and he is confident that the Board members are a dedicated group looking to the future and the best interests of the Association. He said the Board is a diverse group with many skills and experiences and he encourages others to run. He noted that there have been 8 new members in recent years and historically there has been healthy turnover without term limits which are not the norm for HOAs and have proved unnecessary.

Mr. Cole said the Board of Directions will maintain the current budget but will remain nimble, hold the course and will make changes as they are needed. He thanked everyone for the honor of serving and feels they are all in great shape.

Unfinished Business:

There was no unfinished business.

New Business:

Mr. Ivy said they had asked owners to submit any questions ahead of time by emailing VRC.HOA@vrcmr.com . He confirmed four questions were received.

1. An owner responded that they think the staff is handling COVID disruption very well and does not feel any outside guests should be allowed to use the club and that should be a permanent change.
2. A Bike Storage capacity question was asked which has been addressed during the meeting and the Association will continue to look at options for the future.
3. A question was asked about why the showers and indoor hot tub are not opened. This has been also addressed during the meeting. Also, the owner said they are following the rules and feel there are some Rental By Owners who do not follow the rules and they would like to know a process to proceed.

Mr. Ivy said currently there are 16 RBO Owners in compliance. He said if there are any issues, please reach out and let the Association know and also there is a Town of Vail RBO hotline which can be found on the Town's website and has been set up to deal with Rental by Owner issues.

4. An owner asked about the 5% Club Fee that comes out of the 45 percent Rental Operation income split and said it feels like double dipping. Mr. Ivy said currently the rental income split is 55% to the owner, 40% to the Rental Operation and 5% to the Club. He said the Declarations outlines that all owners receive a club membership and it doesn't matter if they use facilities, they are still responsible to pay the monthly dues. When the HOA purchased the club from the developer's estate, the owner family membership was expanded to include the direct family bloodline (grandparents, parents, children and grandchildren). Also, if the owner has a guest, they have to pay the guest fee even though the owner is paying the club dues. So, the Short-Term Rental guests are treated the same and they are charged a fee for using the club. It is a flat fee and overtime that has proven to be the proper percentage.

Mr. Ivy asked if any owners had more questions to email them to VRC.HOA@vrcmr.com

Quorum Update/ Board of Director Candidates:

Mr. Ivy noted they were still 20 units shy of achieving a quorum and asked Mr. Bradford if it would be okay to still proceed, in case a quorum is reached, with the introduction of each Board of Director candidate and allow them to speak. Mr. Bradford thought that made sense and he would like to hear from each applicant. The Board members agreed.

Mr. Cannava announced the candidates: Peter Koclanes (J4 & G3), Leslie Levin (12-16), Richard Moothart (5-13), Greg Simpson (6-1), Kathy Summers (1-12). Each candidate introduced themselves and was given 3 minutes to address the audience.

Approval of the Actions of the Board of Directors:

Mr. Cannava asked for an approval of the actions of the Board of Directors this year. The audience voted through the Zoom online poll and the actions of the Board of Directors was approved unanimously.

Approval of the 2019 Homeowner Meeting Minutes:

Mr. Grotke made a motion to waive the reading of the 2019 Annual Homeowner Meeting Minutes and approve as presented. Ms. Bortz seconded, and the minutes were approved unanimously through the Zoom online poll.

Mr. Ivy reiterated that a quorum has not been achieved and attendance plus proxies equals a quorum. If a quorum is not reached, the 2019 minutes will be presented for approval at the next Annual Meeting.

Straw Vote:

The vote for the open Board of Directors positions proceeded. Mr. Ivy said after the meeting, the "Vote Now 2020 Board of Direction Election" email will be sent through a third party (Election Buddy) to each unit present at the meeting. Ms. Bortz reiterated that the vote link will be coming via email. Mr. Ivy said owners just need to click the link in the email to vote and asked that owners vote for up to three candidates.

Mr. Ivy reported that management will verify if a quorum was achieved, but if not, this will be only a straw vote. Mr. Cannava informed the owners that once the attendance report is verified after the meeting, then the Vote email will be sent which should take just a few minutes. He said that if an owner received a proxy from another owner, then their vote will be weighted, and they will not receive multiple links. Also, owners who own two units at the VRC will receive two separate vote emails, one for each unit. Mr. Cannava also verified that the vote is anonymous.

Mr. Ivy praised Mr. Cannava and said he has done an excellent job today. He said Mr. Cannava, Ms. Gilman and Ms. Stadler have been instrumental in making the remote Annual Meeting happen and they have done a great job coordinating all of the details. Mr. Ivy thanked all of the owners for their interest and participation.

Adjournment:

Mr. Bradford made a motion to adjourn the Annual Homeowner Meeting and Mr. Grotke seconded. The meeting was adjourned at 4:03 PM.