**Beaver Creek Lodge**

**Condominium Association, Inc.**

Annual Meeting 2013

**Date:**  March 19, 2013

**Location:** Beaver Creek Lodge, Juniper Room

**Time:** 10:00 AM (MST)

**Minutes**

1. **Introduction, Roll Call and Proxy Review**

The annual meeting of the Beaver Creek Lodge Condominium Association, Inc. (BCLCA) was called to order on March 19, 2013. Richard Kessler, President of the Association, presided over the meeting. Jim Wear, of the law firm Sherman and Howard LLC, served as Beaver Creek Lodge Condominium Association counsel. Athena Marquez kept the meeting minutes.

The following were present:

Beaver Creek Lodge, LP. (represented by Richard Kessler) Owner, Various Hotel Units

Mark Kessler, Hotel Unit Director, Sec. of BCLCA

Fravy Collazo, CFO

Kevin Shields, GM

Tim Baker, Commercial Unit Director BCRC, Unit 118

Dick Bringhem Owner, Unit 31

Tracy Huang Owner, Unit 106

Louise Beaudin Owner, Unit 110

Kraig Forbes Owner, Unit 119

Andrew Keiser Owner, Unit 136

James Power Owner, Unit 208

Dave Rivard Owner, Unit 211

Paul Jardis Owner, Unit 213-A & 218

Page Slevin Owner, Unit 213 B

James Padgett Owner, Unit 323

David Asher Maslan Owner, Unit 401

Manny Rose Owner, Unit 411

Terry Krieger Owner, Unit 412

1. **Proof of Meeting Notice and Confirmation of Quorum**

Mr. Kessler, on behalf of the Beaver Creek Lodge Condominium Association, welcomed the members of the Association. Jim Wear, BCLCA counsel, stated proper notice of the meeting had been given in accordance with the bylaws of the BCLCA. He confirmed 75% of the condo owners were present either in person or by proxy thus, constituting a quorum.

1. **Approval of 2012 Annual Meeting Minutes**

Mr. Kessler moved to adopt the reviewed minutes from the Annual Meeting of the BCLCA held on March 20, 2012. Mr. Jardis seconded the motion. The motion carried.

**4.0** “**State of the Association” Presentation**

Mr. Shields gave an overview of the previous year’s accomplishments at the Beaver Creek Lodge including property improvements. He also discussed future plans and operations for the upcoming year.

The leadership team was able to manage the operating budget and facilitate the capital projects scheduled for 2012 within the set parameters. Several projects were completed in 2012 as part of Capital Improvements. The most significant is the roof repair work which will be on going into 2013 with tiles replacement and the addition of Bylin to improve snowmelt reducing damage to existing tiles and increasing safety around the property.

The Wi-Fi upgrade was another project that had delivered a positive impact for residential, commercial and hotel units. The feedback has been extremely positive as both ease and quality of connection has drastically improved.

Other projects that were completed include the fitness center room A/C, plumbing replacement of shut-off valves and pipes in the hot water loop. The pool and spa resurface project has been extended to 2013 along with the ADA lift installation to make the property compliant with the new laws.

As we move into 2013 there is more of a focus on detail items such as carpet and utilities. These are not categorized as capital items but rather maintenance items. We have already completed some carpet replacement outside of Christy’s Sports and on some of the elevator landings at high traffic locations. Some utility doors on the 2nd and 3rd floors have already been resurfaced with a plan to continually rotate throughout the year.

Another area of detail will be the garages. We presently use bellman and houseman to periodically sweep the garages but during season it is difficult to keep optimal condition due to the amount of dirt and debris tracked into the garage. We are looking at a vendor that can bring a street sweeper into the garage and do a more thorough job.

The detail of the 2013 Capital Expenditures is outlined in the 2013 budget assumptions.

A significant push to increase communication among the owners through monthly newsletters sent by Ms. Marquez has also been a focus and the feedback has been overwhelmingly positive from those communication pieces.

The lodge received the AAA Four Diamond designation for the 9th consecutive year. There were some items identified in our most recent inspection that AAA has added to the criteria moving forward to maintain our present standing.

Preferred Boutique identified Beaver Creek Lodge as a top vacation destination for families and as one of the most luxurious locations around the world and once again, Conde’ Nast has voted Beaver Creek Lodge into the Top 40 Ski and Stay resorts in North America. Service levels reported by hotel guests are continuing to increase and Enterprise Hotels of Colorado received the Vail Valley Platinum Service Award for outstanding customer service.

EHOC’s new Beaver Creek Lodge website is up and has a professional feel updating photos and information needed to fully represent the property.

Our continued focus on maintenance and cleanliness of the entire property will be in the forefront in 2013 revising many items put on a regular schedule to ensure our cleaning and preventative maintenance schedules are up to date and encompass all areas of the property and in conjunction with our Capital Study. We are securing bids for updating the reserve study to establish replacement costs, useful life and determine a recommended annual reserve.

Mr. Shields thanked the owners for their continued partnership and ongoing feedback as we continue to enhance the experience for guests and owners at the Beaver Creek Lodge.

Mr. Baker stood and addressed the quorum about Mr. Shields stating that he is an unsung hero. He has improved this property in just over a year with an eye for detail that meets Beaver Creek standards. He further stated that he wanted to make sure that Mr. Shields is recognized and thanked him.

Mr. Rivard agreed that there has indeed been tremendous improvement to the property in the last year.

Mr. Jardis asked about the 20% deficit in late HOA dues urging us to collect on it.

Mr. Shields advise that the Association does impose fines and liens on the units in arrears.

Mr. Kessler advised that we have a strict policy about collecting, stating that it was a 20% deficit that has been reduced to nearly -0-. Also, the Kessler Collection has stepped in to aid the HOA deficit and has advanced funds for various on-site projects.

Ms. Krieger asked regarding the elevators flooring and tooling why the cost is $7k.

Mr. Shields advised that cost is inclusive of all the elevators in the lodge, front of the house and back of the house.

Ms. Krieger asked about the money allocated to the pool.

Mr. Shields advised that the project hasn’t been started yet as the money was used to upgrade the WiFi in December. He further stated that the boiler and plumbing repair would be done in the off-season as the project requires the property to be shut down for two days.

Ms. Krieger questioned the AAA 4 Diamond improvements and the status on the upgrades.

Mr. Shields advised that the information would be sent to owners upon receipt of estimated figures for the work.

Mr. Jardis asked what the improvements are.

Mr. Shields advised that the hotel units need outlet media chargers, vanity mirrors, Keurig coffee makers, new dining room tables, and flat screen TV’s in the living room. He further stated that he would be willing to share the comp/set numbers.

Mr. Rivard asked if would could reach the 5 diamond rating.

Mr. Shields advised that the artwork helps us to stay at a 4 diamond but less than 1/3 of 1% of hotels make the 5 diamond rating and we aren’t there yet.

Mr. Kessler advised that when he purchased the property he invested approximately $12 million into it as it was a 2 diamond property at the time. He stated that 1 million dollars of the investment should have come from the owners but he didn’t ask for that, instead he invested the money and funded the project himself.

Mr. Padgett inquired as to what monies Kessler has invested into the property.

Mr. Kessler advised that in addition to the amount required to purchase the property, his company had spent another $12 million on improvements.

Mr. Kessler further stated that at the time of his purchase the hotel had a $200 average daily rate at 48% occupancy. Over the last three years, 2008-2012 the hospitality industry has been struggling. 2013 however is up 17-20% over the last year. This is due to several factors:

1. Cross-Marketing at other properties in the Kessler Collection.
2. Website- Recently updated and markets all properties in the collection.
3. PR Firm- Best in the business.

The increase in the numbers is no accident as Mr. Kessler has taken an aggressive and assertive position on marketing with 36 people on the marketing team. He states that he is now seeing the fruits of our labor. He did not think that the last couple of years were the best time to ask for money from the owners but now as there is a positive move forward it is the best time to make room improvements.

Ms. Krieger asked when speaking about occupancy does that number reflect only when the lodge is open.

Mr. Kessler advised yes.

Mr. Kessler took a moment to discuss the abandoned Wyndham sale transaction:

1. Wyndham sale- They are the largest time share company in the world with 3 & 4 star properties and a huge marketing engine behind them they would be a great asset.
2. If the deal went through 1/3 of the rooms would be removed from inventory which would equal to 1/3 more profit to the owners.
3. Wyndham was going to pay $300k into an operating fund for the HOA-great benefit
4. Wyndham agreed to support the election of 2 unrelated hotel unit owners to the BOD.

Mr. Kessler felt as though the Wyndham deal would have been a win-win situation for all involved adding tremendous exposure to the property. He further stated that he has no hard feelings about the end result. He understands that everyone has an opinion, but felt it was a benefit to the Kessler Collection as well as the owners.

Mr. Kessler further expressed that he was very disappointed with the underground effort from hotel unit owners with regards to the EHOC management contract and board seats. Board meetings are always open to the owners; minutes are available, and he never turns down calls from owners. He feels as though he is transparent but doesn’t see the same intentions from the owners. Over the last three years, EHOC has lost $340,000 plus time and energy managing units and stated that the owners benefited from that. EHOC did not make a fuss about that but no business can run at a loss without recovering. Also, the new management agreement proposed was a result from the feedback received from owners concerns. He had several meetings to listen to and address the concerns that had been brought up and came up with an agreement that he felt met the needs and requests of the owners.

Mark Kessler added that the hotel owners asked EHOC to be business partners with them and they heard that and so we met in the middle and came up with a fair and equitable agreement. At this time we have only received (2) signed agreements and questioned why that is.

Ms. Krieger stated that she never received an invitation to a BOD meeting and was displeased with the lack of a call-in option last year. She would have enjoyed the participation in the meeting but was not invited.

Mr. Kessler advised that the BOD does not send out invitations to the meetings but meeting notices are posted and owners can contact Mr. Shields for more information regarding date and time of meetings.

Mr. Rivard stated that he tried to attend a BOD meeting in the past and was told by the previous GM that he could not.

Mr. Kessler apologized for the confusion and explained that owners could come anytime.

Mr. Rivard stated that it is not an underground effort for owners to communicate with each other. He further complained that he couldn’t get email addresses two years ago when he asked.

Mr. Kessler stated that the owners have them now as a result of Kessler’s efforts.

Mr. Kessler advised to maintain the 4 diamond rating we have to have a restaurant that serves three meals a day. We cannot keep funding losses in the restaurant and over the last three years there has been $150k in loss not including utilities and rent. He asked if the owners would fund the type of a loss. He advised that he tried to seek others in the restaurant community to purchase Rocks Modern Grill over the last year but there was zero interest. He then emphasized that was the Kessler commitment.

Ms. Krieger asked if we currently offer a buffet in the restaurant.

Mr. Shields stated yes.

Mr. Kessler advised that some of the loss comes from property maintenance.

Mr. Shields advised that amenities are included in the loss ex. valet, concierge, and front desk that we offer our guests as part of the 4 diamond experience.

Ms. Krieger questioned if the 2009 roof leaks have been fixed as we spent $625k in roof repairs over the last four years.

Mr. Kessler advised that the underlayment had deteriorated. This is well over a million dollar project and there are two phases left before completion.

Ms. Krieger asked if there was any recourse on who built the original roof.

Mr. Kessler answered no as it was an old roof.

**5.0 Election of Directors**

Mr. Wear explained the election process to the members, 1 vote per owner, and then asked for nominations for Hotel Unit Director. There is more than 1 seat open so the election will be by secret ballot. There will be two separate votes as there are 2 seats.

Mr. Jardis asked how many votes will be cast.

Mr. Wear advised 101 votes.

Mr. Wear then opened the floor for nominations for 1st hotel seat.

Mr. Rivard nominated Terry Krieger

Mr. Baker nominated Laura Van Til

Mark Kessler nominated Richard Kessler

Mr. Baker moved to close nominations. Mr. Baker then addressed the quorum about the responsibility of being on the BOD. He then withdrew the nomination of Laura Van Til.

Ms. Krieger spoke briefly about her background and her desire to be on the BOD. She further stated that she no longer works outside of the home and therefore has ample time for the role if elected and has interest in working with the Kessler Corporation and not against them. She applauded the efforts at the property level and commented on how nice the new family events were. She further advised that she worked with Mr. Shields to have the BCL address pinned correctly to online maps. She has a lot of positive ideas for the property and feels as though she has more than a vested interest, she also cares about the property’s success.

Mr. Kessler thanked Ms. Krieger. He then spoke about his own background starting in 1970 in the hotel business and being in the industry for 42 years. He stated that he has a true passion for this industry and his hotel collection and takes this business very seriously. He has over 1200 hotel rooms, and has done $110 million in sales, $40 million in F&B, with a staff of 40 at the corporate level. He truly cares about this property and would be happy to be on the BOD again. He hopes that owners understand that Kessler is invested whole heartedly. Mr. Kessler thanked the owners.

Mr. Rivard asked if Mr. Kessler was not elected to the BOD is there still Kessler representation.

Mr. Kessler advised that Mark Kessler is still on the BOD.

Mr. Wear advised it was time to proceed with the vote.

There was a short break while Paul Jardis, Jim Padgett, Tracy Huang, and Athena Marquez collected and counted the votes.

Mr. Wear reconvened the meeting after the count and announced that Terry Krieger was voted into the first seat.

Mr. Wear then opened the floor for nominations for 2nd hotel seat.

Ms. Krieger nominated Steve Broadbent

Mark Kessler nominated Richard Kessler

Mr. Baker moved to close nominations

Mr. Broadbent spoke briefly about his background and feels that with Navy and educational experience he would be an asset to the BOD. His goal is transparency and communication to the owners and feels he can fairly represent them if so elected.

Mr. Wear advised it was time to proceed with the vote.

There was a short break while Paul Jardis, Jim Padgett, Tracy Huang, and Athena Marquez collected and counted the votes.

Mr. Wear reconvened the meeting after the count and announced that Steve Broadbent was voted into the second seat.

**6.0 Operating Fund Budget**

Mr. Kessler advised that we distributed the 2013 Association Budget, which includes the Operating Fund Budget and the Reserve Fund Budget as everyone entered the meeting room today. From this point forward, we will refer to the Operating Fund Budget and the Reserve Fund Budget collectively as the Budgets. The Board reviewed and approved the Budgets with the comments on December 30, 2012, and final comments were approved earlier today.

Please note that certain statements made at this meeting about the Association’s future activities are based on the Board’s current expectations and assumptions. Actual results and figures could differ from those anticipated. The floor was turned over to Fravy Collazo, Chief Financial Officer of the Association’s property manager, to walk through the Association’s Budget.

Mr. Collazo advised that overall it was a great year from an HOA operations stand point with a second year in a row under budget. We completed the year approximately $53k under budget of which $27k related to operations and $26k related to reserve expenses.

Total revenues came in at $814k compared to a budget of $816k. Overall 2012 expenses totaled $787k or approximately 5% under budget. The contributing factors – utilities were a combined $23,200 under budget. We were able to get rebates from the carriers of approximately $7,300. We have also locked in our gas pricing which has yielded us great results. A mild winter season also attributed to lower usage.

On the maintenance side, there was a big focus in 2012 to do more jobs in-house as opposed to outsourcing. This resulted in a net savings of $10k in maintenance and engineering related costs.

We were $26k under budget on our reserve spending. Such savings have been used as benefit to the 2013 budget.

2013 Operating Budget - In accordance with our Declaration, operating assessments have been increased by the Denver-Boulder-Greeley, Colorado area CPI growth index of 2.15%. Total budgeted assessments and other income equaled $831k.

Budgeted expenses were primarily based on 2012 actuals. Total budgeted operating expenses totaled $857k. As noted earlier, the 2012 operating surplus of $27k will be used to offset the budgeted deficit.

2013 Reserve Budget - Our reserve budget for 2013 provides for $324k in capital expenditures including half of the remaining roof project of $210k.

A special assessment was approved by the BOD to cover such reserves, net of the surplus 2012 reserve expenditures of $26k. As such, the 2013 special assessment totals $298k which will be billed over the last three 2013 quarterly billings.

Mr. Kessler stated the BOD has recommended the reserve budget for approval and entertained a motion that the 2013 Reserve Fund Budget be ratified and approved by the Association as presented. Mark Kessler moved. Mr. Jardis seconded. All agreed and the motion carried.

Mr. Kessler stated that upon the recommendation of the Association’s accountants, he would entertain a motion to apply the excess of any operating income over Association expenses for the year ended December 31, 2012, to subsequent year assessments, as provided by the IRS Code and revenue rulings. Mark Kessler moved. Mr. Padgett seconded. All agreed and the motion carried.

Mr. Kessler further stated that upon the recommendation of the Association’s accountants, he would entertain a motion to approve a resolution that all reserve assessments for capital replacements for the year ended December 31, 2012, shall be segregated in a separate bank account and allocated to capital components as provided by the tax regulations. Mark Kessler moved. Mr. Rivard seconded. All agreed and the motion carried.

**7.0 Old/ New Business**

Mr. Keiser asked if an association balance sheet could be distributed at next year’s meeting. Mr. Collazo agreed.

**8.0 Adjournment**

Mr. Kessler thanked all owners for their participation in the Annual Homeowners meeting and for the interest everyone has shown in the Association. He then entertained a motion to adjourn the meeting. All agreed. Motion carried.