

BEAVER CREEK LODGE

Beaver Creek Lodge
Condominium Association, Inc.
Annual Meeting 2019

Date: April 6, 2019
Location: Beaver Creek Lodge, Juniper Room
Time: 2:00p.m. (MST)

Minutes

1.0 Introduction, Roll Call, and Proxy Review

The Annual Meeting of the Beaver Creek Lodge Condominium Association, Inc. BCLCA was called to order on April 6, 2019. Mark Kessler, President of the Association, presided over the meeting. Jim Wear, of the law firm Wear, Travers, & Perkins LLC, served as BCLCA counsel. Heidi Torres kept the meeting minutes.

The following were present:

Beaver Creek Lodge, LP (Represented by Mark Kessler, President)	Owner, Various Hotel Units
Fravy Collazo	CFO
Kevin Shields	Beaver Creek Lodge GM
Bill Fackler	Beaver Creek Lodge Controller
Steve Broadbent, Hotel Unit Director	Owner, Unit 301
Dave Rivard, Hotel Unit Director	Owner, Unit 211
Liz Jones	BCRC, Unit 118
Desert Partners, LLC	Owner, Unit 101
James Power	Owner, Unit 208
James Padgett	Owner, Unit 323
Anne Gibson	Owner, Unit 110
Michael V Barry Family	Owner, Unit 212
Paul Jardis (Christy Sports)	Owner, Unit 213-A, 218
LivSotheby's Reality	Owner, Unit 119
Jim Wear	

By conference call:

Sheri Rosen Residential Director/HOA Secretary	Owner, Unit 324
Gerry Chrabaszcz	Owner, Unit 305
John McCarty	Owner, Unit 111
Scott McFadden	Owner, Unit 414
Charles Goodin	Owner, Unit 504
Tracy Huang	Owner, Unit 106
Oliver McBryan	Owner, Units 112,307,413
Michael McDonald	Owner, Unit 408
Todd Maxwell	Owner, Unit 601

By Proxy:

Jacqueline Anthony	Owner, Unit 216A
Ruth Goltzer & James Koolmoos	Owner, Unit 404
Gary & Linda McDaniel	Owner, Unit 201
Nagesh Kadaba	Owner, Unit 407
Hai K. Nguyen	Owner, Unit 306
Dan Doyle	Owner, Unit 401
Griff Jones	Owner, Unit 420
Bernie Weischel	Owner, Unit 417

2.0 Proof of Meeting Notice and Confirmation of Quorum

Mark Kessler, on behalf of the Beaver Creek Lodge Condominium Association, (BCLA), welcomed the members of the Association. Jim Wear established there was proof of the meeting notice and confirmation of a quorum.

3.0 Approval of 2017 Annual Meeting Minutes

Jim Wear stated that everyone should have received a copy of the 2018 Annual Meeting Minutes of the Association upon signing in, and states the 2019 Meeting Minutes are also posted to the BCL HOA website. At this time Jim Wears asks everyone to review and ratify the minutes.

Request for a correction under section **5.0 Election of Directors** it states “Jim Wear moved the motion.” It should be corrected to;

“Paul Jardis moved the motion.”

Steve Broadbent entered a motion to approve the 2018 Annual Meeting Minutes of the BCLCA held on April 5, 2018. Paul Jardis seconded the motion. All board members were in favor. Motion carried.

Jim Wear introduced Kevin Shields, General Manager of the Beaver Creek Lodge.

4.0 “Lodge Operations for 2018 and Plans for 2019” Presentation

Kevin Shields, GM, reviewed the enhancements and achievements during the past year at Beaver Creek Lodge. Highlights include:

Property Enhancements:

- Beaver Creek Lodge Renovation has been voted as a finalist for the Most Unique Hotel Conversion Award for the Second Annual Elite Awards Presentation.
- 2018 Most of the PIP items were completed that lead the Beaver Creek Lodge to the Marriott Partnership.
- ADA compliance was a much larger project then anticipated to be.
- Beaver Creek Resort Company planning major improvements one of them being the space right outside the Beaver Creek Lodge by the bus stop.

Marriott Partnership

- High exposure to more individuals
- 120 million Bonvoy Members

- Bonvoy Marketing campaign appealing to a higher household demographics with additional spend potential

Kessler Partnerships

- Night Agency- Define and produce branding pieces used to market the Kessler Collection of Boutique Hotels.
- Zimmerman Agency - manages public relations
- Packet given upon arrival features the Beaver Creek Lodge it will also be posted on the HOA website.

Guest Satisfaction

- Many returning guest have complemented on the property's new look and feel
- BCL is continuously working on improving service skills with training and developing programs created by the Kessler Collection Corporate Training and led by the DBCL Director of HR Carol Decker
- Carol facilitates all the BCL New orientation and training programs
- BCL grand performers have several opportunities from the following programs to help develop their skills.
 - KQA- Kessler Quality Audit
 - Grand Performer Orientation
 - Grand Performances- Grand Performer Recognition
 - Kessler Careers- New website geared around recruiting and culture expectation
 - KLS- Kessler Leadership Series to develop new leaders at our property
 - Kessler Cares- A way of giving back to the community
 - Kessler Energy Conservation Program
 - Kessler Safety Program
 - Kessler Certified Job coaching program

Safety

- Last year Beaver Creek Lodge went 282 accident free days.
- Safety is a main topic in daily stand up meetings
- Each property has a Safety Committee to assure owners, guest and grand performers visit and work in a safe environment.
- One initiative, is a quarterly Fire Drill practice to ensure proper evacuation of the property effective and efficient.

Changes in Staffing

- Heidi Torres- Executive Administrative Assistant
- Mike Whitney- Chief Engineer

2018 HOA Financial

Total income came in just above the budgeted total at \$982,617.00 allowing for a full operating budget.

Administrative Expenses were over budget by \$71,242.00, attorney fees made up \$69,100.00 with all the work being done on amending declarations and preparing revised documents for the Association.

Total Property Operations were over budget by \$ 30,000.00 due to large repairs from HVAC to preform preventative maintenance throughout the building, life safety and emergency planning hit quarter floor expense. All issues were unplanned, unscheduled and not able to be classified as capital expenses.

Utilities showed an increase of \$9,961.00 to budget primarily in electric due to the building lighting and systems being in full operation during the remodel during a time when the systems are typically shut down.

The overall expenses were in favor to budget by \$112,000 and net income in favorable of 105,000 the first time we have not finished with a balanced budget with several items related to legal expenses an emergency repairs that were not budgeted for.

One of our main goals is communication. Heidi is putting together monthly newsletters notifying owners of any property changes, upcoming events and articles related to the Beaver Creek Lodge. Please make sure to read the monthly newsletters to keep up with what's happening in and around the resort.

Grand Performers at the Beaver Creek Lodge are proud and fortunate to represent the owners of the Beaver Creek Lodge, we are always available to assist.

Mark Kessler thanks Kevin for the detailed introduction. Mark then states the next item of business as the *Election of Directors* and turns the floor over to Jim Wear.

5.0 Election of Board of Directors

Jim Wear explained the Association's bylaws process to elect members to the board.

The board seats are for two **Hotel Unit Director** are up for election this year. These seats are currently held by Mark Kessler and Steve Broadbent who have each decided to run for another term. We will take additional nominations from the floor at this time. Only owners of a hotel unit or of a corporate entity, their agent, may be nominated for this seat. All owners can vote. Please raise your hand if you have a nomination. Operator opens all lines.

No other nominations presented therefore only two individuals are running for the seats. Jim Wear entertained a motion that the nominees each be approved for a three year term for the board of Directors of the Beaver Creek Lodge Home Owners Association for a three-year term, ending on the annual meeting held in 2022. Paul Jardis moved the motion. Dave Rivard seconded motion. A vote was taken and motion carried.

6.0 Operating Fund and Reserve Fund Budgets

Mark Kessler advised the HOA they should have received a copy of the 2019 Budget Assumptions, it includes the operating budget and the reserve fund budget. He stated from this point forward we will refer to the operating budget and reserve fund budget collectively as the budgets. He stated the Board of Directors reviewed the budgets with comments earlier this year. Please note that certain statements made at this meeting about the associations future activities are based on the Board's current expectations and assumptions. Actual results and figures could differ from those anticipated. Mark Kessler turns the floor to Fravy Collazo, Chief Financial Officer of the Association's property manager, to walk us through the Association's Budgets.

Fravy stated the 2019 budget was created based on the provisions of the BCL amended and restated declarations. The declaration provides for how these assessments are determined by owner class. Assessments are broken down by electric, gas, operating and reserve assessments. The electric and the gas assessments are assessed to those owner's classes which use those utilities based on the projected utility expenses. It should be noted all common area utility cost are incorporated into the operating assessment. The operating assessment for commercial, residential and hotel owners are based on the Denver, Boulder, Greely, and CPI (Consumer Price Index) which for the current year was an increased by 3.9%. The current year budgeted operating expenses were based primarily on the actual expenses incurred in 2018 and we made adjustments for inflation on any non-routine expenses as well as anticipated savings. The total operating expenses are budgeted at approximately one \$1 million dollars for 2019.

Fravy continued with the reserve assessment side. Earlier this year the board approved a special assessment for 2019 in the amount of \$180,000.00, that's consistent with the prior years. As discussed in the past we assess reserves on a general assessment bases. It was determined by the board that that any actual reserve expenditures in prior years, for any limited common elements would be credited back to commercial owners in the following year. Based on actuals in 2018, the HOA spent approximately \$21,000 on limited common elements. As such the 2019 budget includes the credit for such amount for commercial owners, as well as a correlated assessment to the residential and hotel owners. We will continue this practice going forward for any actual expenditures of limited common elements. More further approved budgeted of reserve expenditures of \$132,000 for 2019, these do not include any projects proposed under the special assessment. In 2019 reserve assessments were allocated to the board members per our declaration.

Fravy opens the floor for questions.

Q. Leann Rivard- Under section for Maintenance Contracts- \$19,000. If the assessment was to pass would that \$19,000 be reduced?

A. Kevin Shields- Yes it would be reduced slightly once the maintenance contract with Thyssenkrupp Elevator is negotiated.

Mark Kessler informed the owners that the Board of Directors recommended that the Reserve Budget for approval. Mark Kessler entertained a motion that the 2019 Reserve Budget be ratified and approved by the Association as presented. Steve Broadbent moved motion. Dave Rivard seconded the motion. Mark takes a vote, all in favor and the motion is carried.

Mark Kessler took vote with the respect to the motion by the raising of hands and online voting for all reserve assessments for capital replacements for the year end December 31, 2018 be segregated in a separate bank account and allocated to capital components as provided by the tax regulations. Steve Broadbent moved the motion. Liz Jones seconded the motion. All approved and the motion carried.

7.0 Review and Update Capital Improvements Related to Autograph Conversion

Mark begins by telling the owners that the Autograph conversion was the first major project done to the Beaver Creek Lodge since 2004. The Autograph conversion received formal authorization to open for business and on December 21st, 2018 the Beaver Creek Lodge received a "white label" which is a soft

branding by Marriott. A team from Marriott was on property the first week of April to tour the property. Marriott was very pleased with the final product. The Beaver Creek Lodge received a nomination for the conversion. The Beaver Creek Lodge received an award at the Annual Marriott Owners Convention for one of the “Marriott Deals of the Year.”

Renovation

Mark continues with an update on the renovation. Most of the room renovations have been completed but a few still remain. The remaining renovations include ADA work, lighting enhancements in the meeting rooms (Kevin is working on getting the board some bids), new signage, and common area bathroom renovation.

Budget

The Property Enhancement Plan was budgeted at \$1,012,511.00. Along the way there were some unforeseen challenges. The Special Assessment Deficits of 160,000.00, the life safety compliance that wasn't anticipated and the ADA compliance.

Key money

Marriott releases the key money when the Property Enhancement Plan is all finalized. Since we have PIP items still remaining the money hasn't been released. Fravy negotiated with Marriott for a partial release of Key Money, 2/3 exactly. The remaining balance of the key money will be paid once the remaining capital projects are completed. The key money documents will be finalized next week then the checks will be issued.

Mark then opened the lines for questions.

Q: How have we been operating with the ADA not being in compliance?

A: Given the fact the building is 30 years old, there are a lot of areas that are out of compliance. When the renovation started our architect noted the hotel rooms weren't in compliance. There are different levels of severity and things we can work around. But ultimately, yes we've been out of compliance for 10 years. Restrooms and hotel rooms are some of the bigger issues. Once the renovation is complete our architect has signed off on the building being ADA compliance.

Q: IS it the federal requirements we aren't in compliance with?

A: The other area that we weren't in compliance with is life safety fire Sprinklers and fire alarms but besides that not to our knowing.

Q: Do we still have the agreement in place with Beaver Creek Resort Company where the restrooms were open to the public?

A: Yes we do it's the Resort Company Metro District and they pay \$12,000.00 a year.

Q: Did they participate in the upgrades?

A: No.

Q: Should we ask? It's worth a try

Q: How are other Kessler Hotels going in terms of becoming Autograph Collection? Are they having any issues with ADA compliance?

A: Most of the hotels have been new builds so we just build them to the current codes. We did have one property that was a little older which we had to bring up to ADA compliance but they didn't have as much common space as this property so the renovations weren't as drastic.

Q: What are some of the ADA compliance examples?

A: Doorways, handle clearance, sink heights, hearing impaired. There are also things we can do in an operation standpoint to get through the ADA compliance.

8.0 Vote for Special Assessment

Mark begins by asking everyone if they received the letter dated March 26th, 2019. We will be reviewing the letter today and answer any questions anyone may have in regards to the Special Assessment. With the completion of the recent property improvements the BCL Management presented to the board a five year capital plan that identified projects for the next 12-18 months that will require capital in excess with the current annual reserve study. Some of these projects have been delayed in the past and are now at a point where full replacement is necessary. Due to the capital dollars required to fund the capital projects a special assessment must be approved by owners by at least 67% of the votes. The vote we are seeking today is a vote for a special assessment for capital projects which will be individually approved by the board. In the letter you'll find a list of projects that the board identified that should be funded by the special assessment.

Elevator Modernization

The first project is the elevator modernization which is budgeted at about \$1.1 million, which includes the two guest elevators and the service elevator. The elevators are currently 30 years old and are at the end of their life. The board hired an elevator consultant (Van Deusen & Associates, Inc.) to inspect the three elevators. In the report the consultant estimated the cost of new elevators to be between \$900,000 - \$1.1 million. To be safe we put in a budget of \$1.1 million to cover the elevators. The modernization of new elevators is an extended process therefore the elevator consultant would oversee the whole project, including the preparation of the documents for bidding, bidding, shop drawing review, and construction oversight as needed. The process given the whole timeline is scheduled to begin spring 2020. During this process the hotel will still be operating but one elevator will still be operating during this time.

Q: What elevator company are you working with?

A: ThyssenKrupp Elevator

Q: What if the cost comes in below budgeted about? Is there going to be a provision for returning that money?

A: The loan is being set up as a construction loan draw, so if we end up borrowing less the assessment will be set up to that amount.

Q: Is there still a 9 month window to determine what the actual cost of the loan will be?

A: We have the ability to mess with that, ideally we would want to have a 12 month draw period.

Q: Is the consultant cost under the assessment?

A: No, the cost for the consultant is under capital expenditures for 2019.

Boiler Replacement

Mark moves on to the second project budgeted out under the special assessment, the boilers. The boilers were budgeted at \$440,000 for both boilers located on the seventh floor. The Beaver Creek Lodge has had significant issues with the boilers this year. Based on recommendations from a third party company both boilers need to be replaced beginning with boiler number one followed by boiler number two. If we did both boilers at once it would be cheaper but obviously we can't operate without water. Once the boiler contract is signed there is a 4-6 week lead time to order the parts and a 6 weeks for the replacement work. Kevin has bids from three companies but we are leaning towards PSI.

Public Restrooms/ Spa & Steam room

The third project is the renovation of the public bathrooms as well as the spa and steam room in order to be ADA compliance. Based on the federal guidelines the Beaver Creek Lodge is not in ADA compliance, the restrooms, sauna and steam room are the areas we've identified and we recommend bringing up to code. The bids we have for the ADA projects but have not been finalized. We had an architect study the sauna and steam room and we can either do one or the other. The board will make the final decision on the sauna and steam room. We budgeted the ADA projects at \$75,000 that number might vary if we end up picking a steam room. Once we get plans from the architect we will get it proposed and bring the bids to the board.

Q: Didn't we remodel the sauna a couple years back?

A: Yes, the sauna was remodeled with new wood.

Q: What does ADA compliance involve?

A: The ability for someone to have the same usage of common area facilities as anyone else so in order to do that we have to make sure the doors are wide enough, turn around radius accommodates a wheel chair and the height of the control panel is a certain height.

Larkspur and Juniper rooms lighting enhancement

The next item on the list is the meeting room lighting enhancement. Originally we presumed we could switch out the lighting control but some of these lights don't work with the technology. We had an initial budget of \$34,000 for both rooms but we are looking for other bids. Once we have the bids in, we will move forward with the lighting enhancements for the meeting rooms.

Internet/Wi-Fi Upgrade

Another project we are working on is the internet Wi-Fi upgrade. The current internet system we have in the building is about five years old which is about the lifespan of that system. We've been struggling with the hardware of outdated equipment. On trip advisor we have several negative reviews regarding the internet. The new system will replace all the network hardware and meet current standards. The current budget of \$46,000 is based on the first bid we have. Our IT team in Orlando are in the process of getting two more bids. Once we have those bids we will present it to the board.

Q: Who is our internet provider?

A: Comcast

Exterior Stucco Replacement

An additional project we need to address is the exterior stucco repair, which is budgeted at \$47,000. Throughout the building there's corners and patches that need to be attended to.

Building Signage Package

The last project we want to work on is the exterior signage. Now that we've rebranded the Beaver Creek Lodge, we want to make sure we have a consistent signage. We will be getting bids on the signage and move forward from there.

Q: Is this interior and exterior signage?

A: Exterior only, interior will be getting done here soon.

Q: Is the logo changing?

A: No, the logo will stay the same.

Operating Deficit

The last items that the special assessment will fund are the 2018 operating deficit of 105,000 and the special assessment deficit of \$160,000.

Mark summarizes the capital projects that the \$2.5 million dollar loan will fund. The Special Assessment won't go into effect until 2020.

Q: The reserve study that was done years ago, were these assessments made then in anticipation to these capital projects?

A: The Assessment of \$180,000 that we currently have is based on the reserve study. If you go back and look at the reserve study there are some missing pieces in there, specifically to the cost of the elevator and the boilers. These were two capital items that were missed on the last reserve study.

Mark then continues on the topic of the reserve study. The bids we for the new reserve study range from \$2,200 to \$14,000. We are leaning towards the less costly reserve study considering how much was spent on the last reserve study and how inefficient it turned out to be. For the upcoming reserve study we've selected a local company (Advance Reserve Solutions, Inc.) with great references.

Mark gives the floor to Fravy to discuss term options for the loan. As a request from the board Fravy reached out to ten banks and received terms from five banks, including multiple structures from these Five banks. Fravy collaborated with Paul Jardis who was a previous banking officer to access these terms and analyzing these term sheets. A summary of the different term options was put together and distributed to homeowners and the board. The summary includes the terms from Mid First Bank, which were strongly believed to be the best terms due to the attractive rate and the no guarantee structure. Most of the banks declined our offer due to the no guarantee structure.

Fravy gives the floor to Paul Jardis to review the banking terms options. Mid First Bank and US bank offered similar terms. US Bank offered a five year term and Mid First Bank offered us a five year, seven year, and ten year term. The difference in cost from the five year term and seven year term is around \$130,000. The difference between the five year plan and ten year plan is \$350,000. The financing options below are based on the Mid First Bank offers;

1. Option: 5 year term: projected rate 4.67%

Total Costs: 2,808,063 gross (26.95/sf – 5.39/yr) / 2,283,063 net (21.91/sf – 4.38/yr)

Commercial: Total Costs @ 4,848 sf: 130,640 gross / 106,216 net

Annual Costs 26,128 gross / 21,243 net; Monthly Costs 2,177 gross / 1,770 net

Hotel Average: Total Costs @ 537 sf: 14,471 gross / 11,765 net
Annual Costs 2,894 gross / 2,353 net / Monthly Costs 241 gross / 196 net
Residential Average: Total costs @ 2,754 sf = 74,213 gross / 60,338 net
Annual Costs 14,843 gross / 12,068 net / Monthly Costs 1,237 gross / 1,006 net

2. Option: 7 year term: projected rate 4.72%

Total Costs: 2,940,570 gross (28.22/sf – 4.03/yr) / 2,415,570 net (23.18/sf – 3.31/yr)
Commercial: Total Costs @ 4,848 sf: 136,806 gross / 112,381 net
Annual Costs 19,544 gross / 16,054 net / Monthly Costs 1,629 gross / 1,338 net
Hotel Average: Total costs @ 537 sf: 15,154 gross / 12,448
Annual Costs 2,165 gross / 1,778 net / Monthly Costs 180 gross / 148 net
Residential Average: Total Costs @ 2,754 sf: 77,715 gross / 63,840 net
Annual Costs 11,102 gross / 9,120 net / Monthly Costs 925 gross / 760 net

3. Option: 10 year term: projected rate 4.81%

Total Costs: 3,154,177 gross (30.27/sf – 3.03/yr) / 2,629,177 (25.23/sf – 2.52/yr)
Commercial Total Costs @4,848 sf: 146,744 gross / 122,319 net
Annual Costs 14,674 gross / 12,232 net / Monthly Costs 1,223 gross / 1,019 net
Hotel Average: Total Costs @ 537 sf: 16,254 gross / 13,549 net
Annual Costs 1,625 gross / 1,355 net / monthly Costs 135 gross / 113 net
Residential Average: Total Costs @ 2,754 sf: 83,361 gross / 69,486 net
Annual Costs 8,336 gross / 6,949 net / Monthly Costs 695 gross / 579 net

The lines are open for questions and/or comments.

A: Can you explain the fixed rate in more depth?

Q: The rate will be locked down when we convert from a construction loan to a term loan. The rate won't be locked in until the amortization starts. Since this is a construction draw loan when we start the loan we will pay 4.5% (prime minus one.)

Paul Jardis reminds everyone that for now they are only voting on the special assessment and the terms will be determined at a later time. The board will follow up with owners to get their input on the different term options before making a final decision. Paul strongly encouraged everyone to vote for the special assessment.

Mark concludes the special assessment topic and encourages the owners to communicate their thoughts to the board. Currently we are voting on the special assessment to cover the capital projects that were just identified. The capital projects will be individually approved by the board and funded by a loan that will be obtained by the association. The payment of the loan will be funded by the special assessment starting 2020. The loan term will be voted on by the board. Members who are present at the Beaver Creek Lodge Home Owners Annual Meeting have the option to vote at the present moment or vote online. The electronic voting for the special assessment will remain open until April 16th, 2019.

Adjournment

Mark thanked all of the owners for participating in the Annual Homeowners meeting and for the interest everyone has shown for the Association. Mark then entertains a motion to adjourn the meeting.

Dave Rivard moves the motion. Paul Jardis seconds the motion. Mark adjourned the 2019 Annual Homeowners meeting for an additional 10 days, until April 16th for all the voting to be completed and accounted. The total weighted vote of 73.39% were cast in favor of the Special Assessment.