

SKI AND RACQUET CLUB, LTD.
ANNUAL MEETING
June 6, 2009
Breckenridge, Colorado

I. CALL TO ORDER

The meeting was called to order at 9:05 a.m.

Board Members Present Were:

Tony Karahalios, President, CP6	Norm Stein, Vice President/Treasurer, A101
Jan Bowman, Secretary, B103	Tom O’Lear, Director, A204
Earl Haworth, Director, BP3	Margie Wood, Director, BG2

Owners Present Were:

Nikolai and Valentina Alexeev, A103	Bill Batton, AP1
Pamela Gates, CP5	David Blaylock, B106
Mark Bohdan, AP5	Eugene Congdon, CP3
Disko Durham, BG1	Mary Edwards, AP6
Steve and Amy Fritsch, BP5	Victoria Gischel, B102
Chad Hanley, BG4	Bruce and Debbie Linster, A205
Timothy and Zoe Lockett, B203	William and Irmtraud Mager, B206
John McCallister, AG3	Lorraine McGowan, C101
Merri McKissock, C206	Jill Williams, CP4
Vicki and Robert Motazed, AP4	Michelle Munafo, A104
Tricia Patterson, B101	John Quarles, A105
Dave Rathbun, BP1	Carlin and Amy Rogers, C203
Shannon Saramaa, B201	Roy Schwalm, AG1
Stephen Chittick, B105	Andrea Stein, A101
Sally Swartz, C103	Julie Taylor, BG3
Bill Wood, BG2	Susan Comer, AP2
Tim Grottemeyer, BG6	Paul Davis, A203

Representing Basic Property Management were Dan Ulmer, Lanelle Barnett, Candy Ramage, Gary Nicholds and Erin Stoll. Erika Krainz was recording secretary.

II. PROOF OF NOTICE AND VERIFICATION OF QUORUM

Notice of the meeting was sent in accordance with the Bylaws. With 38 units represented in person and 21 by proxy a quorum was reached.

III. APPROVAL OF MEETING AGENDA

Earl Haworth made a motion to have the membership accept the meeting agenda as mailed in the meeting packet. Norm Stein seconded. In discussion, an owner asked for a summary of the difference between the proposed agenda and the agenda in the Bylaws. Tony Karahalios explained that the Bylaws agenda did not include a Manager’s Report, and places the Board Election prior to the Old and New Business sections. The motion carried with one abstention.

IV. APPROVE PREVIOUS MEETING MINUTES

Bill Batton made a motion to approve the June 7, 2008 Annual Meeting minutes as presented. Bill Mager seconded and the motion carried with one abstention.

V. MAGGIE PLACER EASEMENT

Michael Moser, Planner from the Town of Breckenridge, provided an overview of the Maggie Placer Easement situation. The developer's initial submission was denied for a number of reasons. The developer has since switched architects and drafted a new plan. The Department of Transportation granted the property access to Highway 9 with a right hand turn only so there will need to be a turn around at the Ski and Racquet entrance. An island will be added and the area will be improved. The new proposal will be carefully analyzed at the next work session meeting, which will be on Tuesday from 3:00 – 5:00 p.m. The Town Council meeting will be at 7:00 p.m. The retaining wall will not have to be moved and the town will grant an encroachment license for the right of way. The developer hopes to start building this fall. There are no plans for a traffic light at this point.

Royce, from the Preservation Development Group gave an overview of the new plan. The properties will be designed as middle income for mountain communities with duplexes priced from \$295,000 – 325,000. The town annexation agreement included 22 units. The current plan calls for 21 duplex units. All but four have attached garages. The access will be a one way loop off Highway 9. There will be four market share units and all the rest will be deed restricted. Four units will be two bedrooms, two and half baths and the rest will be three bedrooms with two and half baths. The average size will 1,200 – 1,400 sq.ft. The two bedrooms will be priced at \$295,000 and the three bedrooms at \$325,000. The four market share units will be priced at about \$550,000. The deed restricted units will have a 3% annual price increase cap. The intent is for the units to look like other properties in Breckenridge so they will be well integrated. According to a town study, affordable housing has no impact on the values of neighboring properties. Financing is in place and as soon as approval received, all units will be completed by November. The units will be modular, built by Timber Creek Homes.

VI. TOWN PROJECT APPROVAL PROCESS

Michael Mosher provided some information about the Town's perspective on siding. The Town supports non-combustible materials but cementitious siding would generate six "negative" points in the decision process. Solar panels on top of the elevator shafts would generate three positive points. He did not think the siding project as proposed would be approved by the Town. There was general discussion about things that could be done to generate positive points, such as additional landscaping or building a bus stop.

Royce said Mark Hogan had suggested rezoning the existing vacant land at Ski and Racquet to create some affordable housing. He estimated there could be 25 units, the sale of which could be used to fund renovations. Tony Karahalios pointed out that the Ski and Racquet density was maxed out. Michael Mosher said the Town was providing density for deed restricted affordable housing. The approval process would take about a year.

VII. SIDING REPLACEMENT

Architect Mark Trebino reviewed his proposal for residing the buildings. The intent is to upgrade the property, to increase values and to reduce maintenance costs. The materials being proposed are low maintenance, i.e. Hardie plank cementitious siding. Tony Karahalios asked how he would get this approved by the town. Mark said would need to meet with the town to find out what they want. The proposal includes the stairwells, building ends, elevator shafts, all railings inside and out, and gutters and downspouts. All existing barn board and fiberboard siding would be replaced.

An owner said he thought the town required the use of natural stone when residing. Mark responded that it was not required. The town favors natural materials, so natural stone would provide extra “points” in the approval process.

VIII. PRESIDENT’S REPORT

A written report was provided. Tony Karahalios said Basic Property Management had been with the property since 2002 and they have been very helpful to the Board.

Norm Stein said that he and Tony meet with Basic representatives on a regular basis (usually bi-weekly) to approve expenses and sign checks. If the dollar value is over a set amount, two Board members must sign the checks for those expenses. Overall it was noted that the Association has a very low number of late dues or fines.

Tony Karahalios said a few years ago the delinquent balance was about \$30,000; this has been significantly reduced. Dan Ulmer explained the collection policy. A letter is sent once an owner is 31 days late. If the amount due has not been paid by the 61st day, a lien is filed on the property and the account is turned over to the collection attorney. All attorney fees are charged back to the delinquent owner. The Association has also implemented a \$500 fine for anyone who becomes more than 60 days overdue. The Association currently has a \$7,000 positive dues balance as a result of owners paying dues in advance. Two owners are currently 60 days delinquent. One owes dues only and the other owes only fines.

An owner asked why the Reserve balance was only \$13,000. Dan Ulmer said there was a significant amount of deferred maintenance when Basic Property Management took over the property. Since 2002, projects have included new furnaces in the Clubhouse, new roofs, all buildings have been painted, all trim has been replaced, and the sidewalks, walkways and retaining wall have all been redone. All this work was done without the expense of a General Contractor. Dan said his company philosophy was to do as much maintenance as possible in house. A great deal of work was done at no extra charge to the Association; for example, Ann Evison rebuilt all the sand filters in the pool. Other management companies charge for any work done outside of the management contract.

IX. MANAGEMENT REPORT

Dan Ulmer reviewed the management company responsibilities:

1. Provide a full time on site manager.
2. Open, close and clean the Clubhouse daily.
3. Maintain the common areas (mowing, fertilizing and snow shoveling).

4. Perform preventative maintenance around the property.
5. Complete minor touch up painting.
6. Do security inspections on vacant units.
7. Maintain the current owner list and contact information.
8. Attend all Board and Annual meetings.
9. Provide accounting services.
10. Send out all dues information, collect dues, track delinquency collections and assess fines. He emphasized that no actions were taken without Board direction and approval.
11. Organized loan. Disko Durham said some of the work that was supposed to be done with the loan money was not done. The response was that some projects that were higher priority cost more than originally estimated.
12. Fill out title and mortgage company questionnaire for any units being sold.
13. Solicit bids for projects.
14. Negotiate bulk bids for certain services such as cable and trash removal.

An owner asked if Basic charged a fee for filling out the mortgage and title company paperwork. Dan said the fee is \$50.

Merri McKissock asked who would be responsible for legal expenses if there is a legal action between an owner and the Association and the owner wins. Dan responded that the Association would have to pay the legal costs.

There were general comments about pets. Owners were reminded to clean up after their pets as this is not the Property Manager's responsibility. Only owners, not renters, are allowed to have pets.

Tim Grotmeyer of BG6 asked why owners could not park trailers on the property. Earl Haworth recommended that he read the Declarations. Owners can have two vehicles, but no trailers, snowmobiles or motor homes. This prohibition was established by the original developer in the 1970's. Valentina Alexeev suggested establishing a small parking area for trailers, etc. that could be rented and generate income for the Association.

Julie Taylor suggested that Basic Property Management include their phone number on the monthly mailings to facilitate owners contacting them.

X. FINANCIAL REPORT

Candy Ramage reviewed the financial reports.

A. Balance Sheet as of April 30, 2009

1. Total Checking/Savings - \$38,249, \$5,004 of which is in Reserves.
2. Total A/R – (\$7,909). Several owners have prepaid their dues.
3. Total Current Assets - \$35,730.
4. Total Fixed Assets - \$844,363.
5. Total Other Assets - \$9,278.
6. Total Current Liabilities - \$4,423.
7. Total Long Term Liabilities - \$627,326. This includes the loan balance for improvements (\$548,426) and the mortgage on the Manager's unit (\$78,901).

8. Total Liabilities and Equity - \$889,371.

B. Profit and Loss July 2008 through April 2009

1. Total Income – \$2,028 over budget.
2. Total Administration Expense – \$7,523 under budget. The Maggie Placer issue legal bills were less than budgeted.
3. Total Condominium Management Expense – \$1,063 over budget.
4. Total Utilities – \$1,657 under budget.
5. Total Repair and Maintenance – \$2,506 under budget.
6. Total Other Expense – \$545 over budget.
7. Net Income – \$12,105 over budget.

A question was raised regarding the laundry income. Earl Haworth said the Board had looked into purchasing the equipment. It would cost \$1,600 per washer and dryer and he calculated the payback would be about three years.

An owner asked why there was nothing budgeted for Miscellaneous Income. Candy Ramage said this income was generated through rental of the Clubhouse, and since it was not guaranteed income, it was safer not to include it in the budget.

Victoria Gischel commented that there seemed to be a number of administrative expenses that were not covered under the management contract. Candy explained that these expenses were for supplies such as envelopes for owner mailings, and for the meeting minutes. The telephone expenses include the alarm line and the pool phone line. Gary Nicholds said he was working with the phone company to combine the lines into one business line in order to reduce the cost to \$45/month.

Suzanne Comer asked about the on site Manager expenses. The salary is paid by the management company and the Association provides free housing.

C. Capital Projects

Capital expenses to date totaled \$16,673, primarily for the decks.

D. Ratification of 2009/2010 Budget

Candy Ramage said there were not many changes to the budget as compared to last year and there was no dues increase proposed. There was a \$40,000 increase last year for the painting of C Building. This amount was retained in the new budget in order to build the Reserve Fund. Candy reviewed the significant line items:

1. Legal Fees – kept at \$10,000 in case there are legal expenses related to Maggie Placer.
2. Bank Service Charges - \$300 budgeted. Candy has negotiated with one of the banks to waive the \$15 monthly fee; this amount can be used to offset the possible property tax increase.
3. Cable – this expense historically increases 5 – 6% in February of each year.
4. Telephone – some changes were made to the account after the budget was approved.

Owners raised the following questions and made some comments pertaining to the budget:

1. An owner asked what the \$10,000 in Building Repair/Maintenance covered. Candy Ramage explained it was for routine ongoing maintenance and issues, such as clogged drains.
2. An owner asked why the Annual Meeting expense was increased from \$100 last year to \$300. Candy said there were other expenses included under this line item such as mileage for Directors on occasion and conference call charges.
3. Debbie Linster commented that there should be a dues decrease in order to stay competitive with other complexes.
4. Julie Taylor asked if there was a list of the units scheduled for balcony repair. Shannon Saramaa said there was a prioritized list of units online. Julie's unit is on the list, although it is listed under Jan Bowman's unit number since it is the underside of her balcony that will be repaired.
5. Suzanne Comer asked if the Association was challenging the property valuation of the Manager's unit. No challenge was filed and the deadline has passed.
6. An owner asked why the gas and electric line item was increased. Tony Karahalios explained that the expense covers the pool heat, heat tape, elevators and exterior lights. There was not much of an increase budgeted but based on potential upcoming changes to how utilities are billed, the actual increase could be as much as 70%.
7. Margie Wood commented that the \$17,700 insurance premium did not include coverage for the pool. The pool has been included in previous policies but the insurance company failed to rate it in the past. This coverage will increase the premium by \$1,900. She proposed increasing the insurance line item to \$19,600 and removing that amount from the Clubhouse Refurbishing account.
8. An owner asked for clarification on the \$10,000 budgeted for Clubhouse Siding Repair. The siding by the mechanical room and the exterior wall by the ping pong room is deteriorating. Several bids have been received. Victoria Gischler asked if the siding project included the Clubhouse. John McCallister said there were several different siding proposals and one included the Clubhouse. Norm Stein said the Board wanted to replace the Clubhouse siding last year but the project was deferred. It needs to be done this year regardless of the siding project decision in order to maintain the structural integrity of the building.
9. Several owners commented that their balcony repairs were not done well. Shannon Saramaa asked owners who had problems with their repairs to inform the Board so the contractor can be asked to finish the job properly. An owner asked how the balconies were selected for the repairs. Shannon said she worked with Ann Evison to develop a prioritized list, with the units having structural issues placed highest on the list. The owners recognized Shannon for her work on the project. John McCallister provided a list of balconies in need of repair: P6 on C Building, G2 and G3 on B Building and Unit 204. The repairs to the balconies of BG6 and BG1 were not well done.

Debbie Linster presented a proposal for reducing dues. In her opinion, Special Assessments are meant to cover capital expenses and dues are meant to cover operating expenses. She reviewed the benefits of Special Assessments versus dues. The

advantages include tax advantages, an increase to the cost basis of the property and owners can get favorable interest rate for financing. She calculated it will cost each owner \$1,768 extra to finance through the Association at 7.75% instead of financing individually at 5%.

She is proposing a Special Assessment of \$70,000 for capital improvements with \$50,000 of that amount dedicated to Clubhouse improvements and \$20,000 for the balconies.

The Special Assessments would be \$7,813 for one bedrooms and \$10,366 for two bedrooms. Dues would be reduced to \$231 for one bedrooms and \$305 for two bedrooms.

Debbie said that her proposed budget also includes a \$40,000 decrease. This was achieved by eliminating the services of Basic Property Management. She said she had made some phone calls and found providers who would do the payroll and accounting functions for a much lower fee. The two things she focused on when trying to reduce the budget were the loan payments and management fee, which equate to about 30% and 18% of the budget respectively. She clarified that her budget proposal did not include the siding replacement project.

John McCallister, AG3, made a motion to approve the budget proposed by the Board with no increase, with the provision that the Board will consider adjustments. The motion was seconded but there was no vote on the motion.

The meeting was recessed for lunch. After reconvening, discussion on the budget continued.

A motion was made to adopt the budget presented by Debbie Linster with the contingency that it allow for further investigation of the management fee and options for the management company. Mary Edwards seconded.

In discussion, several owners spoke in favor of having a Special Assessment in order to lower dues.

An owner commented that selling the vacant land as mentioned by the developer would solve a number of financial issues.

An owner asked if there had ever been a financial audit. Earl Haworth said there had been one just before Basic took over management of the property.

An owner commented that the Board and management needed to do a better job of monitoring expenses. She pointed out that Margie Wood discovered the issue with the pool insurance and also identified some expenses for services that were not being utilized. The owners recognized Margie for her work on these issues.

Debbie Linster said she would like to see a two month period to hire a new management company unless Basic is willing to take a \$40,000 reduction. Norm Stein asked what services would be provided by the new management company for \$35,000. Debbie said there would be an on-site Manager living in the Association-owned unit. There would be a separate bookkeeping service. She received two estimates for bookkeeping services, one for \$22,000/year and the other was \$550/month.

The motion was voted on and carried.

A motion was made to levy a Special Assessment to pay off the balance of the loans. The balances currently total approximately \$614,000 but that number will change by the time of payoff. The assessment will be due by October 1, 2009. The motion was seconded and carried.

A motion was made to levy a second Special Assessment of \$70,000 for capital improvements This assessment will also be due by October 1, 2009. The motion was seconded. In discussion, it was clarified that these funds would be mainly for repairs to the Clubhouse, not for the siding project. Earl Haworth commented that there had been several bids received for the Clubhouse repairs and all were over \$100,000. An owner thought there were other options for repairs that would be less expensive. The motion carried.

An owner stated that there are new lending guidelines that require 10% of the budget to be going the reserves. Tom O'Lear asked where the Reserve dues were reflected on Debbie Linster's budget. She said the net income as currently shown on the spreadsheet would be the Reserve contribution.

A motion was made to amend the original motion to approve the budget, to increase the dues by approximately \$50/unit/month in order to retain the services of a management company for \$75,828/year. The motion was seconded and carried.

Angela Roach made a motion on behalf of B204 to terminate the management contract with Basic Property Management in sixty days. Paul Davis seconded. In discussion, Earl Haworth pointed out that the Bylaws specify that the Board is responsible for hiring the management company, not the owners, so in order to act in accordance with this motion, the Bylaws would have to be amended, which requires approval of 2/3 of the membership. An owner commented that the Board was elected to conduct the business of the Association and these types of matters should not be an owner responsibility.

An informal "vote of confidence" for Basic Property Management was taken. The majority vote was in support of Basic.

XI. SIDING

Norm Stein made a motion to table the siding discussion to allow the siding committee to investigate selling the land and using the proceeds to pay for the siding. The motion was seconded by John McCallister. The motion was defeated.

A motion was made to table the siding discussion to allow the siding committee to investigate selling the land and using the proceeds to pay for the siding. The committee would have a report by October 1st. The motion passed.

A straw vote was taken on whether the majority of the owners are in favor of selling the property to pay for siding. A majority voted in favor. However, it was pointed out that we need to look at the governing documents to see what the requirements are in terms of the vote.

XII. DECLARATIONS

A motion was made to amend the first sentence of the Declarations Article V, Section 5.5 to read “No Alteration or Improvement of a cost in excess of \$10,000, which is a Common Expense shall be made except with the prior approval of a majority of the total number of votes outstanding and entitled to be cast, at a membership meeting as provided in the By-Laws. The motion was seconded, but did not pass.

XIII. BOARD ELECTION

Of the seven current Board members, only Margie Wood is running for re-election. Other nominations from the floor were Debbie Linster, John McCallister, Gene Congdon, Tim Luckett, and Ed Klibaner. It was moved, seconded, and passed to elect these six people.

XIV. SET NEXT MEETING DATE

The next Annual Meeting was set for Saturday, June 5, 2010 at 9:00 a.m.

XV. ADJOURNMENT

A motion was made to adjourn the meeting at 4:00 p.m. The motion was seconded and the motion carried unanimously.

Approved By: _____ Date: _____
Board Member Signature