CHAMONIX-AT-WOODRUN ASSOCIATION
BOARD OF MANAGERS MEETING
September 5, 1997

I. Call to Order

The meeting was called to order in the meeting room of Chamonix Condominiums in Snowmass Village, CO at 4:00 P.M. by Andy Cole, Vice-President of the Board. Other Board members present were Dean Bramlet and Graciela de Quesada. Nonmembers present were Mike George, Evie Angevine, James Treadwell, and Lee Wilson of Snowmass Lodging Company.

II. Approval of Minutes

Mrs. de Quesada made a motion to approve the minutes of the September 20, 1996, meeting. Dr. Bramlet seconded, and the motion was passed unanimously. Mrs. De Quesada made a motion to approve the Board minutes of the February 14, 1996, meeting, and Dr. Bramlet seconded. The motion was unanimously approved.

III. Old Business

A. State of the Property

Differential building settlement caused minor sheet rock damage near the entry of B building this Spring. The movement seems to be a seasonal shift, which for the most part moves back to the original position in the Fall. Maintenance will continue to monitor displacements. Only minor repairs are needed at this time. The domestic hot water supply lines continue to develop random, minor pinhole leaks. Dielectric fluid was installed in the AA building elevator annulus in the Spring. The fluid is designed to eliminate or reduce electrolysis corrosion, which is what caused the jack failure two years ago. Gutter and heat tape installations on the Northeast side of C building are scheduled this Fall. Estimates for the installation of the electric line for the heat tape are higher than anticipated last February, but the increase can be accommodated by the roof repair budget. A French drain to redirect the water away from the base of the stairs and building foundations between B and C buildings was installed last Fall, and it has reduced, but not eliminated, the swampy area. Intermittent valve leakage in the lawn sprinkler control box continues to cause wet conditions. Repairs are ongoing. The waterproof deck coatings at B 3rd and 4th, and C 3rd and 4th floor entries and around the upper driveway circle are scheduled for completion this Fall. In addition, most private condominium decks are scheduled for resurfacing this Fall, weather and rental schedules permitting. Fewer swallows nested this year. The associated mess on windows, walls, and decks has been managed with increased washing. The pool deck epoxy-rock surface was replaced this Spring. Stress relief joints were added to reduce crack problems. Coping stones were also replaced around both pool and spa, new waterline tiles were installed in the pool, and drain grates were replaced with brass throughout the pool desk. The same epoxy-rock material could also be applied to the Office, AA, and A Building entries, with a contrasting inlaid "C" at the office entry in later years, if it proves to be long-lasting. The carpet in the ski locker room is nearing the end of its functional life and should be replaced in the near future. Mr. Wilson is working with a local appraiser to obtain a "Determination of maximum replacement value" for use in setting insurance limits. The total cost of the appraisal is not expected to exceed $1,000.

Unit 21 remodel is progressing according to the plan that was faxed to the Board in August. Mr. Treadwell asked about whether the changes that the Spanos family was making to their original plans required Town approval. Mr. Wilson replied that, since the changes were not structural, he thought Town approval was not required, although Mr. Spanos had received Board approval. The leased portion of the living room is enclosed, and the replacement storage beneath is complete. The new deck was completed this Summer, although gutters and landscaping are not yet installed. Mr. Spanos has asked that the Association pay for the Association's lawyer fees in relation to the lease and remodel documents. The fees in dispute amount to $1,231. The basis of his request include: he didn't know up-front he would have to pay the Association's lawyer fees, he payed $35,000 for the space, he has performed his side of the bargain in good faith, he has had lawyer expenses also, and his lawyer has contributed to the quality of the Lease document.

Dr. Bramlet and Mr. Cole questioned precedents regarding the waiver of legal or administrative fees pertaining to remodel costs. Mr. Cole questioned whether the negotiation by counsel for Mr. Spanos had increased the legal fees of counsel for the Association, and Mr. Wilson replied that any time two lawyers are involved, the negotiation costs will increase. Mr. Cole asked if the negotiations would end, should the Association decide to waive the legal fees to Mr. Spanos. Mr. Treadwell noted that only Mr. Spanos could answer that question. Dr. Bramlet noted that the legal costs would not have been borne by the Association, had the remodel not taken place. Mr. Cole noted that the other side of the argument was that Mr. Spanos had paid $35,000 for the space, which would not have had any real value to the Association. Mr. Bramlet and Mrs. de Quesada noted that, while the Association could settle now, it would be a poor precedent for the Board to set for future remodel requests. The Board decided that, since the original deal created by Mr. Treadwell with Mr. Spanos included all costs related to the remodel, the Board would not waive the obligation. The Board instructed Mr. Wilson to notify Mr. Oates of the decision of the Board. Interest will begin to accrue on the outstanding balance, should Mr. Spanos choose not to pay within thirty days after receiving notice.

Mr. Cole and Dr. Bramlett asked the purpose of the 2% fee paid to SLC as part of the Approval of Modification Agreement. Mr. Wilson responded that it was to help SLC recover the cost for the time spent by Management, Front Desk, Maintenance and Housekeeping in overseeing or assisting with the project.

Mr. Wilson has been working with Leonard Oates, lawyer for Mr. Spanos, to effect the fee simple ownership of the leased space incorporated into Unit 21. As of September 2, all but four signatures have been obtained on quit claim deeds, and only one mortgage holder signature is outstanding. However, one owner has indicated he will not sign the quit claim deed. That owner's condominium is under contract with closing scheduled for late this year, so a resolution of the purchase may be possible next year. There is no further payment to the Association at closing of the Spanos addition. The one time lease/purchase payment of $35,000 was transferred to the Association's account this Spring. Mr. Cole reviewed for Dr. Bramlet the history of the lease and sale arrangements with Mr. Spanos.

B. Tree review

Aspen trees on the east side of A building were trimmed to improve the view for the unit owners of 34 and 32. The owners of Unit 32 found the trimming acceptable this Summer. They have renewed their request that some or all the trees be moved. The Town of Snowmass Village has no specific regulations regarding planting or cutting trees or maintenance of views. The original Chamonix PUD required a landscaping plan that should be followed in general respects, although the Town does not regulate specific trees in the plan. Dr. Bramlet noted his opinion that he did not support removal of healthy trees. Mrs. de Quesada spoke of her discussions with the Garcia-Blakes, in which they noted that the trees were added after their purchase of the unit. Mr. Treadwell and Mr. Wilson stated that the trees in dispute were here before original construction, but that no one had tried to dispute the position of the Garcia-Blakes. Mr. Cole recommended that we continue to trim the trees for the Garcia-Blakes, but that the Board take the position that we will not remove healthy trees from the property that do not pose a danger to anyone. Mr. Cole asked Mr. Wilson to write a letter to the Garcia-Blakes about the decision of the Board.

Mr. Wilson noted that snowmaking equipment was being installed by the Ski Company adjacent to the property, which would improve conditions in weak years, but may cause some noise complaints. Mr. Cole noted that noise would have to be endured to have good, early season snow.

C. Rentals, Rates and Unit Upgrades

SLC ended the winter season with 77 units in the rental pool, and enter the next winter season with 74 units, which, although a dip in rental inventory, will allow SLC to maintain financial stability. Chamonix units achieved an average rate last winter of $570, down by $8 per night from the prior year, or 1%. Average rental nights per unit are up 4%, while owner use is up by 2%, resulting in an increase of just over 3%, or $1,571, in average rental revenue per unit. SLC properties last winter achieved an increase in Rental Revenue per Rental Unit of over 3%, or $1,388 company-wide, with rental occupancy up 1%, owner occupancy down 2%, and average rate growth of 2%.

The current booking pace is up strongly over the last two years, and slightly ahead of our best, early-year pace of three years ago. SLC gross revenue for last year improved moderately, on higher yield from small increases in both rental demand and average rate. We are optimistic that improved snow making capacity at Snowmass will lead to improved early season occupancy, but we expect the growth to be slow over the next few years. We expect that the trends of relatively flat occupancy with a moderate increase in average rates will continue during next season. Our cooperative marketing agreement with Premier Resorts/Village Resorts has broadened our market exposure, and we have started to see some bookings this Summer from the centralized reservation office.

The SRA is under pressure to, at a minimum, restructure its operations. We are reviewing the amount of business we get directly through the SRA in relation to the involved costs. While we have publicly supported the SRA, we have some reservations about the revenue payback in relation to the costs. Mr. George received a call recently from Terry Hunt of the SRA, and Mike will represent all of our properties on the planning committee charged with proposing changes for the future structure of the SRA.

IV. Accounting and Budget

A. Current Financial Position

After nine months the Association is $68,721 ahead of the plan. Revenues are up for the Lebovitz and Spanos leases and high employee unit tenancy. In August, unbudgeted income for the conference room purchase will increase revenue by approximately $144,600.

Total General and Administrative (G&A) costs are down 3% from the plan, or $3,048. Insurance costs are down from plan by $872. Director's Expenses are under budget YTD by $750, and Telephone Equipment & Repair costs are down $514 against the YTD plan.

Utilities are down 14% against the plan, or $9,456, as a result of a membership rebate from the electric utility and savings in both gas and water costs.

Repairs and Maintenance are $8,608, or 6%, under the plan, primarily for savings in R&M (SLC), R&M (Contractor), Custodial, Service Contracts, and Painting costs, partially offset by increased Supplies expense. We expect the Association to use the YTD savings in Paint and Custodial during the late Summer and Fall months. We forecast that the Association will end the year with an operating surplus of approximately $203,000, including the one-time revenues from the common areas sales and lease of $179,600. Excluding these one-time transactions, we forecast that the Association will end the 1996-7 fiscal year with an operating surplus of $23,400.

Two owners have delinquent assessment accounts, excluding the legal fees in dispute by Mr. Spanos. The owner of CX37 has partially paid the last assessment billing through an income transfer from the rental operation, and will be able to further reduce his balance through income transfers in August and September. The nonrental owners of CX33 are also late in paying the final assessments of this fiscal year. Mr. Wilson will contact them shortly to encourage them to bring their account current before year end.

B. Reserve Fund Status

The auditors allowed management to retain a line item for Painting & Staining in the Reserve Fund at the close of the last fiscal year. We have transferred the balance to a separate Deferred Revenue account upon advice of the outside auditors. All future Painting and Staining costs will be expended in the year the work is performed, once this new Deferred Revenue account is exhausted.

The Reserve Bank Accounts have cash in excess of the projected year end Reserve Fund liability. The common area lease and sale that were executed this year will create a substantial operating surplus, and management recommends that the Board consider transferring the operating surplus to the Reserve Fund. Management has inserted two new line items in the Reserve Fund related to Fire protection equipment, and management proposes allocating the surplus throughout the Fund line items, as noted in the Reserve Fund Analysis model. Management also added a third line for Laundry Equipment, as the remaining original commercial washing machine needs replacement. Performance is poor, breakdowns are frequent, and repair costs are rising. A new washer will cost approximately $8,500. Management proposes charging the costs of the replacement washer to the Reserve, using some of the Operating Surplus of 1996-7. Dr. Bramlet recommended that the Association refund a portion of the current year operating surplus in an amount equal to the third installment of the Special Lobby/Grounds assessment. Mr. Cole commented that he was philosophically opposed to refunding a portion of the surplus. He prefers to leave the surplus in the Reserve Fund. Mr. Cole recommended deferring on a decision to issue a rebate until the annual meeting in February. After general discussion concerning cash flow in the Operating and Reserve Funds, Mr. Cole made a motion to transfer the operating surplus at year end to the Reserve Fund. Mrs. de Quesada seconded, and the motion was carried.

C. 1997-8 Budget Review

Management proposes that the general assessments for the budget year remain at the 1996-7 total for the Association. However, actual cash costs for all owners but one will decrease by approximately 3%, as the owner of units 15 & 25 will bear a larger percentage of the common costs, due to the purchase of common space. The annual costs for all owners will also decrease because the third installment of the Special Assessment for Lobby and Grounds improvements has been levied in 1996-7.

Interest Income will decrease, as SLC will make its final payment of $14,000 to the Association in September 1997 for use of the Association credit line at Alpine Bank. The line item budgets for General and Administrative costs are proposed to remain relatively flat, compared to the year end forecast for 1996-7. However, management anticipates the need for increases in Gas and various Repairs & Maintenance line item costs. Management proposes increasing the total R&M budget by approximately 4% over the budget from 1996-7, which will allow for increased work throughout the Grounds and other Common areas. To compensate for the proposed increases in Operating Fund costs, management proposes reducing the Reserve Fund budget contribution. The Operating Surplus of 1996-7 transfer to the Reserve Fund, as noted above, will fully fund the anticipated replacement costs of many of the scheduled items, which will allow the Association to scale back its Reserve Fund contribution in the short term. Mr. Cole made a motion to approve the budget as presented. Mrs. de Quesada seconded, and the motion was carried.

V. New Business

A. Agreement for Units 15 and 25 connection

Mr. Lebovitz has not been billed the 2% fee yet. He does not feel he should have to pay that. He is also asking for relief from the $200/sq ft charge for any closet space he may be enclosing in the common area. At present Mr. Wilson doesn't believe that

Mr. Lebovitz has any plans to enclose space in the lobby. Mr. Treadwell noted that he had spoken with Mr. Lebovitz at the request of Mr. Cole, and that the management company would waive the 2% fee and Mr. Lebovitz would pay $200 per square foot for any common closet space enclosed in the unit during the remodel. Dr. Bramlet noted that the Board was not waiving any fees on behalf of the Association.

B. Remodel and combination of Units 22 and 23

Robert Trown and Associates presented the plans for the proposed remodel and combination of Units 22 and 23. The plan changes the living room, kitchen, and master bedroom area of 22 and a portion of Unit 23's master bedroom into the living room and kitchen of the new unit. Most of Unit 23 will become the master bedroom suite. Minor changes in the windows and a change from sliding to French doors are proposed.

After visual inspection and review of the plans, the Board advised the architect that the French door installation was approved, but that the requested changes in two of the three windows was disapproved. The collective position of the Board was that changing two of the windows to accommodate the request of Mr. Appplebaum would negatively alter the exterior appearance of the buildings.

The Applebaums would like to enclose a portion of the common lobby, for which they would like a 99-year lease, and they want to install a key in the elevator to provide lock-off service on second floor. The lease used for Unit 21 could be modified by the Association's lawyer for the lobby area. All legal costs, including those from the Association's lawyer, would be born by the Applebaums. An Approval of Modification Agreement will be drawn up and signed prior to release of a letter of Association approval for the proposed modification. With Board approval, construction would be allowed to proceed as long as the Lease portion of the Agreement is in progress as outlined below. Stipulations associated with the Approval to Modify should include provisions that the contractor keeps the common Association grounds, walks, lobbies, and parking areas clean and free of construction equipment, and modify noisy or otherwise objectionable construction activities to allow for Fall rental groups. A construction dumpster will be allowed. However, it may be necessary to remove or relocate the dumpster for brief rental periods. Cleanup and repair of any leakage from construction equipment and/or vehicles are the contractor and Unit owner's responsibility.

A Lease Document must be signed and lease funds forwarded to the Association's account prior to the acceptance of the improvements by the Association, and not later than November 1, 1997, unless extended by the Board. Dr. Bramlet made a motion to set the value of the leased common space on second floor A building at $39,460, based on a sale or lease price of $200/ft., with the stipulation that the unit owner bear the assessment costs for the common space to be included in the combined units during remodel. Mr. Cole seconded, and the motion was unanimously carried.

C. Board officers and number of members

With Hank Anderson's Unit sale and resignation from the Board, Andy Cole, as Vice President, is the ranking member of the Board. A new President may be elected by the Board. The By-Laws specify the Board may be composed of three to seven members. The Board may elect a new member to fill Hank's position or reduce the number of members on the Board of Managers. Mr. Cole made a motion to leave the Board at four members. Dr. Bramlet seconded, and the motion was carried. Mrs. de Quesada made a motion to nominate Mr. Cole as the President, and Dr. Bramlet seconded. Mr. Cole was elected President.

B. Date of Next Meeting

As determined at the Annual meeting of February 1996, the Annual meeting will be held on the second Friday in February; February 13, 1997, at 4:00 P.M. in the Chamonix Conference Room. The Board will meet briefly at 3:30 P.M..

VI. Adjournment

The meeting was adjourned at 7:00 P.M..

Respectfully submitted,

Graciela de Quesada

Graciela de Quesada, Secretary

I:\HOME\ASSN\WP50\CXMINS\CXBD997.MIN