

CHAMONIX-AT-WOODRUN ASSOCIATION  
BOARD OF MANAGERS MEETING MINUTES  
October 19, 2004

I. Call to Order

Betty Lebovitz, President of the Board, called the meeting to order by conference phone call at 2:04 P.M. Colorado time. Board members present by conference phone call were Betty Lebovitz, Don Anthony, Grace de Quesada, and Dick Brown. Dr. Van Giesen joined the meeting via conference call at approximately 2:15 pm. Nonmembers present at Chamonix were Mike George and Lee Wilson of Snowmass Lodging Company.

II. Approval of Minutes

Mrs. Lebovitz made a motion to waive the reading of the minutes of the February 3, 2004, March 29, 2004, and August 3, 2004 Board meetings, and Mr. Brown seconded. The motion was approved. Mrs. Lebovitz made a motion to approve the Board minutes of the February 3, 2004, March 29, 2004, and August 3, 2004 Board meetings, and Mr. Brown seconded. The motion was approved.

III. Old Business

A. State of the Property

The following repairs and replacements were completed since the last board meeting: The driveways, waterproofing, and snowmelt system have been installed, with final adjustments and testing in progress. The new entries are under construction throughout the courtyard. The piling company is in the process of supporting sections of A and B Buildings that show signs of differential foundation settlement. All dryer vents and chimneys were inspected and cleaned, as needed. Our fire alarm system was inspected. An estimate for required repairs is pending. Our painters are applying stain to the garage doors, lower fascia, and soffits, so they will match the new entries.

Mr. Brown asked about sewer line blockages. Mr. Wilson explained the service line from B Building was replaced after a blockage and resulting flood about three years ago. A sewer blockage also caused damage in condo 21 this summer. The blockage this summer appeared to be related to the construction. The lines were repaired and inspected by video camera. Mr. Wilson plans to have some additional lines videotaped this fall to assure that all are flowing as designed.

B. Rentals, Rates, and Unit Upgrades

SLC Rental Operations – for winter 2003-2004 rental revenues increased nominally over the prior year at less than 1%, or about \$22,000. However, SLC's fiscal year runs May 2003 April 2004, and since the prior summer rental revenues were down, annual fiscal sales were down about \$24,000. Summer 2004 has been stronger, with seasonal sales up about \$70,000. However, winter 2004-2005 advance booking pace has lagged the prior year from week to week in a range of 16-26%, equating to a current deficit to the prior year of about \$230,000. Management remains uncertain as to whether this is a continuance of the trend of recent years towards flat or declining rental revenues, or simply that clients now tend to book

later in the season for shorter stay vacations. Winter rental revenues, which account for about 85-90% of annual gross rental sales, remain soft in comparison to any recent year.

Management continues to work on improvements to its web site and web strategies for rentals. One good idea that came out of the recent Enclave budget meeting was to highlight WCE physical plant improvements on the website.

Management has contracted with a vendor to create an infomercial that will be taped in December and air on a cable travel channel. The added benefits of the taping is that the medium will be streaming digital video, which we hope to use to further update the website, and from which we hope to extract digital photos for updating our brochures and rate card photography. This is a significant departure from our past marketing strategies, and we hope it will yield positive results. We will advise owners of the times, dates, and channels upon which the video will run. We will attempt to highlight the recent significant capital improvements undertaken and in process at Chamonix in the video.

Work on units 30, 40 and 41 continues, as the owners of these units are installing new tile, cabinets, and counter tops.

#### IV. Accounting and Budget

##### A. Current Financial Position

The Association has a 117% surplus, or \$51,472, as compared to the plan, after 11 months. SLC forecasts that the association will finish the fiscal 2003-2004 year with an operating surplus of about \$50,674 against plan. General & Administrative costs are forecasted to be under budget by about \$7,074 for savings in Insurance, related to the reduction in DIC coverage, and Depreciation, which was a clerical error in that the outside accountant mistakenly gave us the wrong schedule during the budget preparation last year. Utility costs for Gas and Cable Service are expected to be under budget by \$10,300. Repairs & Maintenance expenses are forecast to be under budget by approximately \$31,300, as limited occupancy due to the renovation construction project reduced the need for expenses in many line items for this category. The remainder of the projected surplus is a combination of a small prior year surplus and a variance between the budgeted and actual loan principal reduction component of the financial statements. While loan principal reduction is not normally considered as a component of an Operating Fund, Chamonix performs an adjustment to add back employee unit depreciation and subtract loan principal reduction from the Operating Fund, as this more accurately reflects cash flows.

##### B. Reserve Fund Status

There were no expenses charged to the reserve fund this fiscal year. The entries to the Reserve Fund were for interest income on Reserve Fund bank accounts and to transfer \$3,250 to the Exterior Surfaces Fund. This leaves the Association with a projected Reserve Fund balance of \$340,931 at the end of the current fiscal year. As the outside auditors recommend that Chamonix carry no Miscellaneous line balance in the Reserve Fund, Management proposes reclassing the expected credit balance of \$1,725 to help reduce the deficit in the Sewer/Drainage/Irrigation Lines line item. Mrs. Lebovitz made a motion to accept this proposed adjustment to the Reserve Fund. Mr. Van Giesen seconded, and the motion passed.

##### C. Courtyard remodel

The roof project is proceeding with some delays to adjust structural components, including a lower profile beam at the entry to allow more clearance, adjustments to the C building roof structure to compensate for variations in the actual vs. structural plan building elements, and addition of lighting over the walkways at B and C Buildings. Although much of the timber work is completed, installation is ongoing at C Building and the two drive-throughs. Some structural details of the drive-throughs are pending at this time. Masonry work has just begun. The epoxy rock entry surfaces at B and C Buildings should be the last portion of the project. The contractor anticipates those entries will need to be enclosed with temporary weather shield to allow the epoxy rock installation in November.

#### D. 2004-2005 Budget Review

Management proposes that the general assessments increase by 2.15% to \$634,420 for the 2004-2005 budget year.

The major cost increases proposed in the 2004-2005 operating budget are listed below:

- Management Fees – SLC proposals & response status for Enclave and Woodrun Place noted below
- Insurance – anticipated 13% premium increase, based on updated quote

A possible new coverage for outside contractors who do not have current workman's compensation coverage is not included in our budget number. The coverage would increase the premium about \$750 for the year. Our agent feels it may not be necessary, while the Enclave Board is adding the coverage under the advice from another insurance professional. The Chamonix Board decided to add the workman's compensation coverage, and the assessment was adjusted accordingly (revised assessment number is shown above).

- Vehicle Rental – increase by \$831 (16%) to reflect increased operating costs
- Gas – anticipated 10% unit price increase, added estimated cost for snowmelt system
- Contractor Repairs – assume return to recent years average cost
- R&M SLC, Pool, Window Washing, Grounds, and Custodial all return to preconstruction levels

The major cost decreases proposed in the 2003-2004 operating budget are listed below:

- Depreciation – based on an adjustment by our auditors
- Snow Removal – reduced in anticipation of new snowmelt system
- Special Projects – no planned special assessments to date

#### Management Fees

The Chamonix Board last year approved increasing these fees by \$55 per unit per month, contingent upon SLC eliminating the \$65 per month per rental unit management fee. That meant that the management fee was approved to change from \$105 to \$160 per unit per month last year. Subsequent to the Chamonix Board budget meeting, the Woodrun Place Chamonix Enclave (WCE) committee met and would only approve \$17 in new management fees, offset by a reduction in rental unit management fees of \$30. So, the management fee last year changed from \$105 to \$122 per unit per month. The WCE decision was essentially revenue neutral to

SLC.

This year Management proposes that the Chamonix Board again approve the remainder of the management fee increase it agreed to last year, \$55-\$17=\$38 per unit per month, plus an additional \$12.25 that will only be paid to SLC, if May 2004 through April 2005 rental program revenues are lower than those of the prior year. The association management fees would then become \$172.25 per unit per month, and the remaining Rental Unit management fee of \$35 per unit per month would be discontinued.

The additional \$12.25 per unit per month management fees will help to offset a portion of the expected fall off in rental revenues. **Any management fee increase above what the Chamonix Board approved last year would only be triggered, if rental revenues continue to decline year over year.**

SLC expects to bear cost increases of up to 15% in health, property, and liability insurance, essentially the same increase ratios as for the Chamonix Association. Gasoline and vehicle maintenance costs have continued to increase, as have the cost of paper products and most supplies. The rental program revenues have continued to decline. However, the increase in housekeeping and maintenance prices last year to the associations and the owners, plus the proposed, increased association management fees should generate enough income to SLC to help it offset these economic pressures.

*Prior to this meeting, both The Enclave and Woodrun Place Boards approved these management fee increases, contingent upon the approval of the Chamonix Board. Additionally, The Enclave has asked SLC for a more focused effort to allocate more desk staff shift starts to The Enclave from Woodrun Place.*

The Reserve Fund assessment increases from \$38,012 to \$38,515, as management made the following adjustments to the Reserve Fund plan:

Line Item Funding (LIF)  
Anticipated Useful Lives (AUL)

Increased the AUL for Stucco repairs from 8 to 12 years and the replacement cost from \$16,000 to \$24,000

Increased the Boiler AUL from 20 to 25 years

Added a new line for Pumps – snowmelt

Increased the AUL of Pump – Other to 23 years

Increased the AUL of the Pool Heat Exchanger from 17 to 21 years

Added a new line for Snowmelt system

Reduced the Driveway Sealing line from 10 to 8 years

Increased the replacement cost for Carpet-Conference Lobby from \$15,000 to \$18,000

Increased the Laundry Replacement Cost from \$16,500 to \$25,000 and the LIF from \$0 to \$1,000

Increased the Fire Alarm and Fire Sprinkler AULs from 20 to 25 years, the replacement costs from \$25,000 each to \$30,000, changed the LIF from \$1,250 to \$1,200 each

Increased the Awning AUL from 8 to 14 years

Increased the Pool Deck Resurfacing AUL from 5 to 10 years

Increased the Pool Furniture AUL from 11 to 13 years

Projects proposed to utilize reserve funds in 2004-2005 are: replacement of Main Heat Circ Pumps, conference furniture, and pool furniture.

Mrs. Lebovitz made a motion to approve the budget. Mrs. de Quesada seconded, and the motion carried. The assessment is therefore set at \$634,419.58. Dr. VanGiesen left the meeting.

## V. New Business

### A. Base Village

Base Village has finally received preliminary approval from the Town of Snowmass Village (TOSV). The final approval vote by the TOSV is scheduled for late October. There is a strong possibility of a local referendum on the development project subsequent to the TOSV vote.

### B. Discussion of Members Deciding to Rent Through Outside Companies but wanting to continue full access to on site services

The owner of CX54 has continued to rent his unit through an outside commercial property manager, despite calling us on more than one occasion to inform us that he will rent through SLC in the next upcoming season. Our strategy to deny services to his commercial clients has resulted in disgruntled guests who are unhappy with their experience at Chamonix, which hurts the reputation of the property.

Mr. George has spoken with the managers of Woodrun V on the issue of outside management companies. Woodrun V has had the unstated intention of driving out all outside management companies for a couple of years. The problems are inconsistent services and pricing levels with disgruntled guests coming to the association desk and management staff for solutions and support, when that should be the task of each management company who rents within the building.

The Woodrun V manager advised that the method they have chosen is to assess a commercial use fee upon their owners who rent. The association then rebates that fee directly to each owner who uses their in house program. This accomplishes the following:

- Encourages members to support the in house program without limiting their choices
- Avoids discrimination by the association against one or a subset of its members
- Does not conflict with the Bylaws, Articles, or Declaration of the Association or any law
- Was recommended and approved by outside legal counsel
- Keeps the reputation of the property intact by maintaining consistent, high levels of on-site services for all tenants

Other rules - Any owner who rents, either through a commercial entity or by themselves, is assessed the commercial use fee. All tenants must register occupancy at the association front desk, and all must provide addresses and phone numbers. That way, the association

can advise hours of operation for common facilities and public space, discuss parking rules and limitations, and cover any other property specific rules and/or life safety issues.

From SLC's perspective, owners who "rent on the side" undermine the rental program with deeply discounted pricing and still take advantage of the shared resources that SLC, the Association, and the owners all pay for. An owner who rents occasionally to friends or family is not a problem – rather, it is an owner who makes a concerted effort to run a separate rental business out of his unit, but still takes advantage of our commonly funded costs, that undermines our common business plan. It would be helpful to have some deterrents to this problem in place. The larger threat is a commercial competitor that under prices rental commissions in order to get a rental contract, while his renters expect to have full access to services that are jointly funded by SLC, the Association, and the owners.

The Woodrun Place Board of Managers requested a legal review of their Declaration and By-Laws to determine if a similar program might work for Woodrun Place. SLC requests that, if their attorney advises that such a billing system conforms to the points listed above, the Chamonix Board consider approving a similar method after outside review of their governing documents. The attorney decided that, for Woodrun Place, the appropriate method would be to change the management agreement to increase the management fee, and then for SLC to offer a discount back to the Association for each member who chooses not to rent, which is a deviation from the Woodrun V model. The entire process is outlined below:

SLC will offer a higher Association management fee through a change in the Association management contract. The contract will include a new clause requiring SLC to rebate a portion of that management fee to the Association, based upon the number of Association members who choose to rent through SLC.

The Association management fee will effectively be increased by each member who chooses not to rent through SLC. The Association, therefore, will then invoice each nonrenting member directly for the incremental per unit cost increase in management fees caused the member's decision not to join the rental program.

SLC will offer a unit management agreement to nonrental Association members that includes an inducement to enter into the agreement. The inducement will be equivalent to the incremental per unit increase in management fees described in the above paragraph. The remaining terms of the contract will be consistent with SLC's current policies and fully describe the current relationship between SLC and the nonrenting members – set prices for housekeeping, maintenance, and administrative services, insurance requirements of both parties, etc.

The unit management agreement will include a clause that members may not rent their units while bound by this agreement.

Nonrenting members will be encouraged to submit invoices that in the past have not been paid through SLC owner statements, such as homeowner's insurance and unit property taxes, to offset the inducement credit. SLC will contact any members who have not used up their initial account credit balances by September 30 of each year, to advise those members to fully exhaust those credit balances within the remaining 60 days of annual accounting.

*SLC currently transfers net rental proceeds on behalf of rental owners to their respective association assessment accounts for those owners desiring this service. In practice, this amounts to the transfer of a credit from an owner's account with SLC to the Association assessment receivable account for that owner. Mr. Hoffman, the lawyer advising us on this matter, has advised that we can use this existing practice for the new, nonrental unit management agreements – post a credit on the owner's association assessment account and a debit on the SLC owner unit management account. SLC can then write off this transfer of cost as the above described contract inducement.*

**The net effect of the italicized paragraph is that SLC can, for those nonrental owners who sign unit management agreements, post the extra assessment and the SLC rebate on the same frequency as the assessment billing. Using this process, owners do not have to come out of pocket for the additional assessment billing at all and wait to present invoices at a later date to exhaust the SLC inducement credit. The transactions occur during the same billing cycle for SLC, the members, and the Association.**

All members will be required to advise SLC of any unit occupancies, so that SLC can advise the in-house tenants of Association rules and be able to assist in any Life Safety emergency situation.

After discussion Mr. Anthony made a motion to approve the changes to the general assessment process, as outlined above, contingent on review of Chamonix documents by council. Mr. Brown seconded, and the motion passed.

#### C. Lobby refurbishing

Mrs. de Quesada asked that the Board consider the concept of decorating the common lobbies with a variety of coordinated motifs so that individual lobbies could be refurbished when needed without the need and expense of working on all lobbies at the same time. The Board was supportive of the idea. A decorator would be needed to coordinate a program of this nature. Mr. Wilson asked for suggestions and will research decorator possibilities.

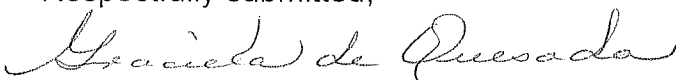
#### D. Date of Next Meeting

Traditionally, the Annual meeting has been held on the second Tuesday in February, Tuesday, February 8, 2005, at 4:00 P.M. in the Chamonix Conference Room. The Board will meet at 3:00 P.M.

#### VI. Adjournment

Mr. Brown made a motion to adjourn. Mrs. Lebovitz seconded, and the motion passed. The meeting was adjourned at 3:34 P.M.

Respectfully submitted,



Graciela de Quesada, Secretary

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CHAMONIX-AT-WOODRUN ASSOCIATION  
BOARD OF MANAGERS MEETING  
August 3, 2004

I Call to Order

Betty Lebovitz, President of the Board, called the meeting to order by conference phone call at 2:11 P.M. Colorado time. Board members present by conference phone call were Graciela de Quesada, Dick Brown, and Don Anthony. Lee Wilson of Snowmass Lodging Company was present at Chamonix.

II Old Business

A. Courtyard plan review

The plan to construct entry roofs at all five building entries and the two upper and lower entry drive-throughs was discussed as a change order to the original snowmelt project. The change order will be approximately \$420,000. Additional funding will be needed to add the roof change order.

Grace is in favor of finishing the project with all entry roofs to be fair to owners at all buildings. The building entry lights purchased a couple years ago will also coordinate with the new entries. Betty felt the project additions will result in a first class property. Don asked how much is mandatory for functional reasons and what part is aesthetic. Lee responded that the B and C Building entry roofs are needed to cover unheated stairs. The other entries will bring the entire project to a coordinated, updated condition. Grace, Dick and Betty feel we should complete the entire project now.

Dick suggested borrowing to complete the project and pay back next year. Don read the last letter to owners to see if they had been warned of further assessments. The letter did not, although the letter referred to roof cost uncertainties. Betty and Dick prefer a letter of explanation and special assessment now. Don and Grace concurred, and all agreed to proceed without an additional ballot. The ballot process would probably delay the fall construction. Don suggested the letter should explain the process the Board has gone through to get to this point, and the reasons for continuing the project.

The Board agreed to the central courtyard planters that Robert Trown has used in the past. They are more expensive, however, they have proven themselves in the Snowmass Village climate.

III Foundation Stabilization

The Board approved peiring projects at A and B Buildings, where differential foundation settling has been identified. The two contracts total \$10,000.

IV Exercise Room Indemnity Agreement

The Board approved a letter of indemnity for the Lebovitz to limit their liability if they will allow the use of their exercise equipment in the conference/exercise room. Lee will circulate the



letter for Board signatures. The Association will purchase a TV with video and DVD players to mount in the room, and possibly install mirrors on some walls.

V Adjournment

Dick made a motion to adjourn. Betty seconded, and the motion passed. The meeting was adjourned at 2:55 P.M.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Graciela de Quesada".

Graciela de Quesada, Secretary

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