

Sundial Lodge Condominium Owners' Association
2015 Annual Meeting
September 26, 2015
9:00 A.M. - 12:00 P.M.

Board members in attendance: Bob Flaig – President; David Scher – Vice President; Deborah Scher – Treasurer; Michael Janas - Secretary; Ron Neville – Commercial Representative

ASRL members in attendance: Jim Simmons – HOA Manager; Ron Brenner – Sundial Maintenance Manager; Ken Rabach – HOA Accounting; Brian Bell – Sundial General Manager

Homeowners and Canyons/Vail Resort staff in attendance: Kristin Huffmon – Canyons Sundial Lodge Resident Manager; Lara Janas – B321; Kenneth Schwartz – C215, Richard Schwartz – B202, C212, Mike and Joyce Kunstadt – B307 and B410, Uta Cicalese – B206, B207, Brad Iverson – C104 and C411, Bonnie Heller – B510, Jackie Cohen – B405, Randy Cassidy – B419, By phone: Cynthia Gumbert – C312, Craig Rettke – C412, Rob Langenstein – B409, Geoff Gibson – B302, also in attendance was HOA Attorney - Melyssa Davidson with Morris/Sperry.

Call Meeting to Order – Bob Flaig

Sundial Lodge Board meeting was called to order at 9:03 A.M. Attendees in-person and by phone were asked to introduce themselves.

Quorum

A quorum was established with 30.96% of the voting rights presented by owners in attendance or by proxy.

RVMA Update – Ron Neville

Ron Neville sits on the RVMA Board and provided a brief overview of the Resort Village Master Associations duties. The Canyons Golf course is one of projects the RVMA is overseeing. Currently TCFC owns 60% of the golf course and the RVMA owns 40%. Once the golf course is complete, Vail Resorts will take over the TCFC ownership. Vail Resorts operates the golf course, currently with no management fee. In the next 12-18 months the ownership transfer to VR is expected. The course is open and plays very well, though difficult. The comfort stations are not yet complete. Hole 11 will be modified in spring of 2016 when the maintenance facility is relocated to its new location up Willow Draw. The clubhouse is still located in the Grand Summit. Eventually it is expected to be in a new building that is yet to be built. In June, the course averaged 200 rounds per day. In July the round fees were increased and the number of rounds reduced. The goal is to target \$100 per round. It is expected that in 2016 an RVMA discount rate will be available.

The RVMA is reviewing a few different development plans for groups throughout the base of Canyons Village area. Ron made it clear that Vail does not own and will not develop the land at the base of Canyons Village. TCFC, the landowner, has hired RePlay to develop the master development plan. Ron reviewed the initial concept design that has a new lift and commercial plaza area adjacent to Sundial

Lodge. Bob Flaig and David Scher explained that after review of the initial concept it is anticipated the Sundial Lodge will enjoy premium location and reduced traffic issues.

Financial Update

Deborah Scher reviewed year-to-date financial reports from May-August 2015. Total Income is flat to budget at \$530K. There is little or no interest income that creates the variance of \$583 YTD under budget. On the Expense side the HOA is favorable to budget by \$3K. Expenses for replacing lost pool towels created a small variance. There is also a variance due to duplicate payment of cable TV billing in the amount of \$6K YTD due to the transition with DirecTV at the property. Groove Satellite, the vendor did not meet the timeline set to get the standalone service set up and resulted in the need to continue payments on the shared Grand Summit agreement. The owner of Groove Satellite has assured Sundial HOA will receive a credit for all duplicate payments. To ensure this happens, the HOA is withholding \$30K for the install of the new service until satisfactorily resolved.

Richard Schwartz asked about the HOA audit. Ken Rabach noted that the audit had just been released and will be posted to the HOA website. Ken explained that it was a review and not a full audit and that there were no concerns noted. The review was released later than previous years. The Board asked that ASRL request the auditors to finalize the review next year by September 1st so that it will be available for homeowners to review prior to the annual meeting.

Brad Iverson asked about the phone system charges on the operating budget. Jim Simmons explained the history behind the separation that occurred when ASRL took over the HOA management back in 2012. At the time, Talisker owned the on-site phone system that would only service units in their rental program. The HOA Board at the time agreed to provide common service for any owners that wish to have it under a common system. The HOA recovers \$22 per month for the 18 unit owners that currently use it. In addition, other emergency dialers for the fire system and elevators have phone service that hits the HOA telephone budget line.

Deborah Scher recapped some assertions made by Richard Schwartz regarding the Board's excessive expenditures in the capital reserve over the last couple of years that has depleted the reserve balance. She presented her research findings that showed the major capital expenses over the last 2 years could be sorted into 3 groups. First, there was significant deferred maintenance after the Talisker transition that had to be addressed (façade painting, water heater replacement, water pipe valve repair and the major expense of the 3rd floor pump room repairs). Second was the investment in capital improvements and amenities that the Board believes provided a net gain in property values and owner/guest experience (Wi-Fi upgrades, ski lounge, meeting room, fitness center, fire pit and DirecTV upgrade). The third item was the wrap up of the 2nd Amendment of the Declarations that had a dues write-off for Talisker in the amount of \$125,000. These projects totaled over \$1,000,000 over a period when additional operating costs increased. Over the same period there were no dues increases.

Richard Schwartz responded by explaining that he believes that some of the projects, like the ski lounge were rushed and ended up costing more money than expected. In that example, David Scher pointed out that the ski lounge was rushed the first year to test the concept as a pilot and to help prevent moisture, noise and damage of owners/guests ski boots in the common hallways and units. The additional costs the following year were related to making improvements in the workflow, décor and capacity to dry boots. Richard suggested that projects like this should be more fully researched

and done right the first time. We all agreed that was ideal, but not always possible. In this case, the Board limited the initial expenses to test the concept.

Brad Iverson provided feedback from guests that the ventilation in the relocated fitness room might be inadequate. Ron Brenner noted that a new ventilation system that was installed shortly after the fitness room was moved. Ron will revisit the system to ensure it is working properly.

Richard Schwartz noted that an incomplete budget was issued to all owners prior to the current fiscal year. The details of the capital budget were not initially shared when the budget was distributed. He is concerned about continued depletion of the reserve account.

Bob Flaig asked Ken Rabach to assess the status of the HOA financial position. Ken noted that based on the acceptable range ASRL suggests to its managed HOAs, the reserve is considered to be adequately funded. Other associations ASRL manages have a higher percentage of being fully funded, but Sundial has in what ASRL considers to be a reasonable funding level, though at the lower end of the recommended funding range at this point. The reserve is expected to continue to rise. The balance sheet indicates that current funding in the reserve is \$587K.

Ken Rabach announced that due to there being no surplus income in the previous fiscal year financials there was no need to make the motion for the 70-604 Revenue Ruling required by the IRS.

Maintenance Update – Ron Brenner

Ron reviewed the projects under the capital reserve plan. The project for fire suppression upgrade is being pushed to early 2016 due to delays on getting competitive bids and the disruption timeframe for the project as we approach ski season. With the move of the fire suppression upgrade, the Board has elected to move up the common area bathroom remodel and ventilation improvement project that was scheduled in 2016 to this fall. This also includes a ventilation system for all four 1st floor common bathrooms. Ron's team will complete the majority of that work.

Completed Projects

- Replaced the corroded main level fire pit gas ring.
- Replaced ground level spa filter.
- Replaced ground level spa pump.
- Regular programmed equipment maintenance & inspections.
- Added additional bird deterrents on the roof eaves.

Fall Projects 2015

- Roundabout drainage work scheduled in October.
- Replace 3rd floor spa and plunge pool filters.
- Replace all unit and common area air filters.
- Re-seal upper and lower pool decks.
- Repair weathered pre-cast concrete window sills and column caps.
- Replace concrete that has fallen away outside B-224.
- Remodel the 1st floor and 2nd floor bathroom remodel

HOA Update

Jim Simmons explained that meeting minutes from the January 2015 and June 2015 Board meetings were approved at the Board meeting on September 25. The minutes will be posted to the HOA website at www.sundialhoa.com. The March 2015 minutes were lost after the ASRL Homeowner Liaison suffered a computer hardware failure. Jim Simmons is working to reproduce those minutes and provide them to the Board for review. Jim apologized that the minutes were not previously made available for the owners and posted to the website due to some administrative staffing challenges. Bob Flaig suggested that the HOA adopt a records retention policy. This will be discussed at the next Board meeting.

The Board has renewed the property management agreement with ASRL for another three years.

The DirecTV transition was problematic. All units have been inspected to ensure signal strength and quality is excellent. There have been some issues with sensors that are attached to the front of TVs by double sided tape having come off already. Owners that see any issues with their cable service in the units are encouraged to contact ASRL for assistance.

As the Talisker/Vail Resorts team no longer centrally manage the HOA interests for Sundial Lodge, Grand Summit and Silverado, ASRL recommends that Sundial HOA sell its interest in the man-lift shared between the 3 properties to remove the HOA from liability issues that arise from each group independently using the lift. The Sundial Lodge Board and Silverado Board have agreed and Jim has approached the Grand Summit HOA to see where they stand on selling the lift. If agreed, all entities will split the profit in thirds.

HBO will be shooting a movie at Canyons at the end of October for a week or so. The movie will be directed by Steven Soderbergh (Oceans Eleven movies and Magic Mike) and filming will take place in Sundial common areas and two of the residential units, plus some other locations at Grand Summit and the surrounding area. Kristin Huffmon noted that lead roles will be played by Jeff Bridges and Sharon Stone.

Following the HOA meeting, Vail Resorts and ASRL will provide rental service updates and there will be an owner reception poolside.

ASRL Property Management Renewal

Bob Flaig reviewed the decision to renew the agreement with ASRL for another 3 years. In order to renew, the HOA cancelled the previous management agreement with ASRL so that some updated provisions could be implemented. The most notable being that ASRL agreed to pay up to \$50K per year shortfall through the agreement term caused by adopting the 2nd Amendment. Richard Schwartz had asserted to the owners that the process was done in an illegal meeting of the Board that was not properly noticed to all owners. Attorney Melyssa Davidson weighed in to say that emergency board meetings could be called for urgent matters and that while the governing documents do not define an emergency or urgent matter, the question of the \$50K income offer by ASRL seemed to qualify. Under the new agreement, the maximum ASRL will contribute will now be \$40K per year instead of the maximum of \$50K under the previous agreement.

Lobby Desk and New Lock System

Michael Janas provided some background information on the decision to keep the HOA desk in the lobby. Challenges with guests negative feedback and TripAdvisor reviews regarding confusion on having 2 lobby desks led to the initial decision to remove the HOA desk operated by ASRL. At the same time, the unit door lock system has begun to fail and needs to be upgraded or replaced. The HOA board considered options to allow direct-to-door options for all unit owners that would remove the need for the second desk. Michael made it clear that it was not the Board's intention to unduly benefit one property manager or another in the decision, but to benefit the overall owner/guest experience and avoid confusion. Jim Simmons explained the history of the HOA bringing in the lobby desk when Talisker previously refused to provide any onsite services, including issuing unit key cards for any owner outside their rental management service. They added the desk to provide onsite services for all owners as needed.

Jim Simmons provided the details of the onsite services provided by ASRL from the desk that include supplementing the costs for services Vail Resorts provides for bell staff, shuttle service and ski lounge. In other words, Vail provides those services and ASRL pays for all units that are not in the Vail rental program in order to help maintain a common level of service. That equals roughly 20 units whose owners and their guests receive those services at no cost. The Board would like to work with ASRL and Vail Resorts to determine a target level of service to be provided onsite and how common services may be fairly distributed among all owners, while maintaining a separation of HOA and Rental functions.

Owners Brad Iverson, Deb Gott and Uta Cicalese stated that having the onsite desk for owners not in the Vail Rental program is important for many owners.

The lock system in the building is 16 years old and has become problematic. The Board tasked Jim Simmons and Ron Neville to investigate new lock system options with new technology. Based on the changes in technology, the Board elected to defer the upgrade until 2016 to allow some of the changes to be more widely implemented. The goal is to have a lock system that allows direct to door access that can be accomplished with a smart phone or key fob or a unique key code for each guest. The technology hold up centers on the need for a smart phone application or other delivery procedure for guests and owners that the Board feels has not been widely implemented in the lodging industry. Further investigation is needed.

Miscellaneous

There was a request to consider adding automatic doors to the elevator lobby entrances from the garage.

The next meeting for the HOA is a quarterly Board meeting on January 11, 2016.

Board Election

HOA attorney Melyssa Davidson, Jim Simmons and Board Secretary Michael Janas verified the election results. Melyssa also verified the voting rights assigned by the ratified 2nd Amendment were used in the calculation. Jim confirmed that faxes sent to the ASRL corporate office were verified and recorded up to the election deadline and all emails sent to Jim Simmons, Mia Bertholf (ASRL Homeowner Liaison) and delivered by Kristin Huffmon were recorded.

The Board election was tallied with the following results of the total voting right percentages for the property:

Bob Flaig - 16.28%

David Scher - 16.15%

Richard Schwartz - 12.80%

Brad Iverson - 11.75%

Lance Wallin - 0.0%

Bob Flaig and David Scher remain on the Board.

Motion: Michael Janas made a motion that the current position holders retain all current board positions. Seconded by David Scher. The motion passed unanimously.

Board positions remained the same as Bob Flaig (President), David Scher (Vice President), Deborah Scher (Treasurer), Michael Janas (Secretary), Ron Neville (Commercial Representative).

Adjourn Meeting – Bob Flaig

Bob Flaig motioned to adjourn the meeting. David Scher seconded. Meeting was adjourned at 12:15P.M.