

**THE CORRAL AT BRECKENRIDGE HOMEOWNER ASSOCIATION  
EXECUTIVE BOARD MEETING  
November 6, 2010**

**I. CALL MEETING TO ORDER**

The Corral at Breckenridge Homeowner Association Executive Board Meeting was called to order by Ada Anderson at 8:05 a.m.

Board members participating were:

|  |                                |
|--|--------------------------------|
| Ada Anderson, President                | Dennis Ziemann, Vice President |
| Geoffrey Forman, Vice President, Legal | Terry Matlack, Treasurer       |
| Larry Miller, Secretary                | Terry Lee, Member              |
| John Danis, Member                     |                                |

Guests at the meeting were:

|                          |                               |
|--------------------------|-------------------------------|
| Allyn Mosher, Bookkeeper | Miro Kovacevic, Legal Counsel |
|--------------------------|-------------------------------|

Representing management were Larry Nelson and Iris Peterson. Erika Krainz of Summit Management Resources was recording secretary.

**II. DETERMINATION OF QUORUM**

With seven Board members participating a quorum was reached.

**III. APPROVE PREVIOUS MEETING MINUTES**

Dennis Ziemann noted that Terry Lee should not be listed as Vice President.

Larry Miller made a motion to approve the minutes of the August 7, 2010 Board Meeting as amended. Geoffrey Forman seconded and the motion carried.

**IV. TREASURER'S REPORT**

*A. General Overview of Financials and Bookkeeper's Report*

Terry Matlack said he had been working with management on the transition of the financials from ResortQuest. Allyn Mosher was asked to have a CPA review one specific issue.

Terry Lee said the bank statement for the settlement account reflected a balance of \$80,000. He asked if there were other anticipated disbursements. Larry Nelson said there was about \$5,000 being retained for RA Nelson. It was noted that the actual settlement balance was \$180,000, including the loan. Ada Anderson commented that there was a problem with the windows in one unit in the South building. This issue probably should have been included in the settlement. The window frames are rotting due to water leakage from construction defects. The source of the leak appears to have been addressed.

Terry Matlack asked when the Board planned to consolidate the settlement account into the main financial account. Larry Nelson said there was one outstanding check but the accounts could be combined as soon as there is Board approval. The only current signer on the account is Gary Duffens. When the funds are consolidated, the settlement amount will be notated with a journal entry.

Allyn Mosher said the two operations (the Association and the rental management) had to be handled separately because the rental operation is a taxable entity.

There was general discussion about future withdrawal of the excess settlement money from the Reserve Fund. Dennis Ziemann was concerned that funds could only be withdrawn for items included in the Reserve Study, so it would not be possible to use the settlement funds for the potential purchase of C1 and C2. Terry Matlack recommended that the accountant research this issue with the attorney.

Larry Nelson asked if the \$180,000 settlement money was taxable. Allyn Mosher said it was not because it is considered appropriated retained earnings. The interest on the balance, however, is taxable. Last year the interest was \$170,000 so there was a significant tax burden. The balance was significantly lower this year so the taxes will not be as high.

Terry Matlack made a motion to have the Board authorize elimination of the settlement account with terms to allow flexibility to use the funds if desired at a later date for purchase of C1 and C2 or for other projects. Dennis Ziemann seconded and the motion carried.

Ada Anderson commented that the August minutes indicated the Board had made a motion to transfer the 2009 surplus to the Reserve Fund and she asked if this had been done. Allyn Mosher said the tax return had to be finalized before making the transfer.

Allyn Mosher provided an update on the tax return. He has been working on it but encountered some difficulties correlating the year-end balances with the ResortQuest reports. He has forwarded the information to Celia Johnson, the CPA. She will have it completed by the end of November. An extension has been filed.

Terry Lee commented that there was a significant variance to budget in the actual rental revenue for September. Ada Anderson noted that the short-term rental income cannot be booked until the stay has been completed. The figure does not reflect future bookings. Iris Peterson said October rentals were less than September but they are now taking ski season reservations. Fall bookings were slow because the website was not up until the Annual Meeting. Terry Lee asked if not having the domain name for The Corral was negatively impacting rentals. Iris provided an explanation of how search engines identify The Corral online.

Geoffrey Forman made a motion to approve the Financial Report. Dennis Ziemann seconded and the motion carried.

*B. Reserve Study Update*

Ada Anderson said the amended Reserve Study update was reviewed at the last meeting. The Study recommended a \$400/unit/month contribution, which was not feasible. There were also concerns about the timing of specific projects. She worked with the Reserve specialist and amended the original draft. She and Gene Warrington decided to remove funding for the windows. She noted that not all items had to be funded 100%. All existing and new owners should be notified of the decision to remove the windows from Reserves.

Geoffrey Forman recommended drafting a memo for the current owners explaining the situation and to make it part of the permanent record for new owners. Terry Lee said the Study provided a qualified opinion and he was concerned about the Board not following the recommendations. He said the Board could get an unqualified opinion, budget lower amounts in the next two years and use some of the savings realized through self-management to fund the Reserves. He felt that would protect the Board. Geoffrey Forman felt it was mainly a matter of disclosure and he did not feel there was any exposure for the Board. The Board agreed that there should be full disclosure about the decision on the windows, and that owners should be notified that there could be potential future assessments related to this maintenance item. Ada recommended sending a memo about this to all owners by mail and including a copy of this memo in all resale packages.

**V. OLD BUSINESS**

*A. C1 and C2 Update*

Dennis Ziemann said he received an email with an appraisal indicating the property was worth \$275,000. Dennis responded that the Board had no interest in pursuing purchase for that amount or any previous price offered. Tim Curran clearly seems to be interested in selling. He indicated he would list the property with a realtor in ten days. Larry Nelson said as of about two weeks ago, the property was not listed with a broker. Larry estimated the realistic value was \$125,000 – 150,000, but only for an entity for which it would have value, such as the Association. He recommended that the Board make an offer if interested. Terry Matlack thought they should wait a few months and Geoffrey Forman agreed. Geoffrey suggested waiting until there had been some more time under self-management. The property management side has been working well but there will not be a true gauge of the rental management operation until sometime in the future.

*B. Foreclosure Update*

Ada Anderson said there was one unit in foreclosure. The Association's attorney indicated that the system for charging late fees was flawed so the Board opted to remove the late fees to facilitate the process. The owner is being charged dues, interest and legal fees, which now total about \$20,000. Geoffrey Forman clarified

that the problem with the late fees was a matter of the administration, not the actual policy. He said the policy was clearly defined but it has to be followed for all owners. It appears that ResortQuest did not follow the established procedures.

*C. Hindman Sanchez*

Geoffrey Forman worked with Hindman Sanchez to clarify what the Board wanted in the checklist of responsibilities. Ada Anderson explained that four years ago ResortQuest added more coverage to the Master policy to include all items that are physically attached inside the units such as carpet, cabinets and sinks. Owners only need to have coverage for appliances and personal items. This information was sent to all owners and many owners were able to reduce their individual policies. The Association policy has a \$5,000 deductible and some individual policies will provide coverage for the difference between the owner and Association deductible. Per CCIOA, the Association policy can cover more than what is required per the Association documents, but not less. The Board needs to decide if they want to continue with this type of coverage.

Geoffrey Forman said the chart was developed based on the requirements in the Declarations, which conflict with the existing insurance coverage. The Board has discussed redoing the Declarations in the past. Ada Anderson thought the cost would be \$15,000 – 25,000 to rework the Declarations due to the notification, mailing and posting requirements.

Terry Lee said every attorney the Board has worked with has indicated that the Declarations were not well done initially and should be redrafted to eliminate inconsistencies.

Ada Anderson said there have been questions from owners about responsibility for various items. Geoffrey Forman said the owners should be informed that the insurance program is not consistent with Declarations, but in the long run the policy is financially beneficial to the owners.

Geoffrey Forman made a motion to accept the maintenance, repair and replacement insurance responsibility chart provided by Hindman Sanchez, and to issue a memo to the owners with the chart explaining that even though the Association is operating in a way that is not consistent with the Declarations with regards to insurance coverage, it has been sanctioned by the insurance carrier and the interior coverage will continue as is. Terry Lee seconded and the motion carried.

*D. Xcel Issue*

Ada Anderson said Gene Warrington negotiated with Xcel and was able to get a \$1,400 check from them to repair damage in the South Range.

*E. Workout Equipment for South Range*

Gene Warrington found some great professional grade used equipment. Five pieces were purchased and installed. There is one electrical issue to be resolved. A small

flat screen television will also be installed. The Board agreed to upgrade the television in the main exercise room with a 32" flat screen at a cost not to exceed \$300.

## **VI. NEW BUSINESS**

### *A. Window Replacements*

Unit 108S has an issue with rot around the windows, which should have been included in the reconstruction project. The windows are no longer operational. There do not appear to be any other units with the same problem but there are some units in the South building with broken sashes. The other Board members agreed that based on Larry Nelson's recommendation, the issue should be treated as a reconstruction project. Terry Lee pointed out that there was a 70% overrun in the Contingency due to unknown issues and this issue would fall in that same category. Dennis Ziemann was concerned about future water problems in other areas. Geoffrey Forman said each situation would have to be addressed individually. John Danis noted that RA Nelson would have to remedy any construction issues. Larry Nelson could be asked to provide an opinion on other issues not identified during the discovery process.

John Danis made a motion to address the window rotting and warping in 108S as a construction defect and to pay for the work out of the Reserve Fund. Geoffrey Forman seconded and the motion carried.

### *B. Website Issues*

Geoffrey Forman said several Board members discussed the use of the property name by outside rental management agencies. A legal opinion and options for pursuing action were provided by Marina Larson's office. The Board ruled out court action. The Board will ask Miro Kovacevic to provide a second opinion.

Geoffrey questioned if it would be advantageous to move forward with the attorney's recommendation of sending a letter. Larry Nelson was not in favor of this action because he has to maintain a civil relationship with Summit Mountain Rentals and all the other management companies. Geoffrey anticipated that the Association would acquire some of the Summit Mountain Rentals units.

Terry Lee said there had been some articles recently in the Summit Daily News regarding increased rentals at the end of the summer season. He questioned if the statistics were accurate. Ada Anderson felt there was some propaganda involved in order to generate future bookings.

John Danis asked how the projections looked for the late fall and winter. Larry Nelson said the current trends were walk-ins and last minute reservations. The rental operation has about \$52,000 in advance reservations, up \$12,000 from about ten days ago. There are 26 units under rental management with the in-house program, which is 12 more than originally projected.

In summary, this issue is still in the discovery stage and a second opinion will be obtained from Miro Kovacevic. Ada Anderson commented that she had some reservations about Marina Larson based on previous issues with registration of The Corral logo a few years ago.

*C. Attorney Recommendation*

Miro Kovacevic joined the meeting in progress at 9:42 a.m. He said he contacted the owner in foreclosure to inform her she could attend the Board Meeting but did not hear back from her. She has been provided a full accounting of all charges, which are now about \$20,000. He has drafted a motion for summary judgment and it is ready for filing. He did not recommend waiting any longer. He noted that there were regulations for the amount of late fees that can be assessed. He confirmed that the late fee policy was acceptable but it had to be implemented as written and the fees should not exceed 45% of the monthly assessment. The account should have been forwarded to an attorney after three months but this was not done.

Ada Anderson asked what the response should be if the owner wants to negotiate a payment plan. Miro Kovacevic responded that he would limit any plan to a couple of months maximum and require the owner to sign a "Confession of Judgment", which would not be recorded if the payment plan is honored. There is no obligation, however, to provide a payment plan. He is ready to file affidavits next week. The owner will have the opportunity to respond, which could take one week to a month. A summary judgment would end the case. It would include a personal judgment against her so the Association can garnish her wages and put writs on her bank accounts. The other action will be to proceed with foreclosure on the unit. The Sheriff will schedule the sale and the owner will have an opportunity to redeem it with full payment of all amounts due. This process could take five to six months but the owner will be required to pay all accumulated amounts during that time. If the first lien holder bids on the property, that entity would have to pay six months of Association dues under the super priority lien. There appears to be a good amount of equity in the unit and he recommended foreclosure. The original mortgage balance was \$140,000 and it appears the owner is paying the mortgage to two individuals who hold the lien.

Iris Peterson was directed to credit the owner for the past late fees.

*D. Marketing Strategies*

Iris Peterson reviewed the marketing activities:

1. Travel Websites - The property is listed with several travel booking sites including Travelocity, Orbitz and Priceline. They take a 10 – 25% commission on rentals and there is a monthly hosting fee.
2. Trip Advisor – The Corral is ranked #2 out of 61 in specialty lodging in Breckenridge. The Corral purchased a subscription so there can be a direct link to the Association website. This is not a booking site but it has generated some leads. The cost is \$800 for the year.

3. Pay-Per-Click – A campaign has been started as an experiment.
4. Google – The property has a listing that appears on the map for “Lodging Breckenridge”.
5. Summit Creations – This web company has been engaged to work on improving the online listing order for The Corral.
6. Breckenridge Resort Chamber – The Corral joined the Chamber 11/1/10. The BRC staff did a tour of the property a few weeks ago. The BRC commission is 20%. There will be a ribbon cutting ceremony on 11/12/10.
7. Ski Storage – Working with some local sport shops on slopeside ski storage.
8. Twitter – The Corral has a Twitter account that is linked from the Association website.
9. Facebook – The Corral has a Facebook page that is linked from the Association website. Owners do not have to have a Facebook account to view the public page.
10. Craigslist – The Corral is listed on Craigslist.
11. Colorado Mountain Express – There is a free link to The Corral from the CME website.

Terry Lee asked if there was reservation activity generated from Facebook. Iris Peterson said it helped with visibility. Larry Miller suggested creating a listing on Ebay with some type of incentive such as a monthly drawing for free lift tickets.

Larry Nelson said the marketing plan had been changed slightly. Since there is now an accountant, Iris is focusing more time on the website.

*E. Conference Room Recreational Equipment*

Some owners donated a bar, two chairs and pool table for the conference room. They may also provide air hockey and ping-pong tables. The Board supported adding those items to the conference room so it can serve as a recreation room.

**VII. SET NEXT MEETING DATE**

The next Board Meeting was scheduled for April 16, 2011.

**VIII. EXECUTIVE SESSION**

The Board adjourned to Executive Session at 10:57 a.m.

**IX. ADJOURNMENT**

With no further business, the meeting was adjourned at ?? a.m.

Approved By: \_\_\_\_\_

Board Member Approval

Date: \_\_\_\_\_