

**GRAND LODGE ON PEAK 7 OWNER'S ASSOCIATION
BOARD OF DIRECTORS AND ADVISORY COMMITTEE MEETING
MEETING MINUTES 10/21/2019**

ATTENDANCE

Board Present: Linda Cole, Roger Lemmon, Mike Hedensten, Nick Doran
Advisory Committee Present: Stan Katz, Steve Gunther, Jamie Keiffer, Michael Freemier, Todd Allard, Yvonne Fromm
Members Absent: Blake Davis
Management Present: Kimberly Tramontana, Joanni Linton, Nick Borovich, Mary Kay Perotti, Joe Clark Fulcher, Peggy Helfrich

CALL TO ORDER

Linda Cole, President of the Grand Lodge on Peak 7 Owners Association, called the meeting to order at 5:06PM

CHANGES TO THE AGENDA

There were no changes to the agenda.

APPROVAL OF MEETING MINUTES

Roger made the motion to approve the meeting minutes from June 1, 2019 and Mike H seconded the motion.

No discussion.

All in favor, motion passed.

UNAUDITED FINANCIALS

GL7OA August 2019

Please find a summary for the GL7OA August 2019 financials.

- Overall, the Operating Budget is experiencing a favorable variance of \$251,312 YTD.
- Operating Revenue shows a favorable variance of \$106,223 YTD.
Revenue variances include:
 - Late Fee Income shows a favorable variance of \$37,975 as more late fees were received than anticipated.
 - Misc Income shows a favorable variance of \$18,195 due to an insurance claim from the unit fire and subsequent flooding. This will be offset by expenses in September.
 - Interest Income shows a favorable variance of \$10,006 as Wells Fargo investments were sold and reinvested.
- We are happy to share that the Operating Expense shows a favorable variance of \$145,089 YTD!
Expense variances include:
 - Common Area Amenities shows an unfavorable variance of \$10,243 as the robes that were ordered were not budgeted for. We expect an unfavorable variance of \$16K at year end.

- Elevator Maintenance shows an unfavorable variance of \$13,019 as more repairs were needed than budgeted. We expect an unfavorable variance of \$32K at year end.
- Professional Fees shows a favorable variance of \$12,312 due to foreclosures being delayed until 2020. We expect a favorable variance at year end.
- Credit Card Processing Fees show an unfavorable variance of \$13,683 as more owners were paying with credit cards than anticipated. We expect an unfavorable variance of \$450 at year end.
- Keys/Printing/Postage shows an unfavorable timing variance of \$17,821 as keys were purchased earlier than anticipated. We expect an unfavorable variance of \$15K at year end.
- Common Area Cleans shows an unfavorable variance of \$70,279 as there were more common area cleans required than anticipated. We expect an unfavorable variance at year-end of \$70k.
- Collection Expense shows an unfavorable variance of \$10,573 as more collection fees were received than anticipated. We expect an unfavorable variance of \$10K at year end.
- Unit Gas shows an unfavorable variance of \$14,482 due to a higher rate and greater usage higher than anticipated. We expect an unfavorable variance of \$19K at year end.
- Unit Cleaning shows a favorable variance of \$250,859 due to fewer unit cleans needed than anticipated. We expect a favorable variance at year-end of \$250K.
- BMMA Dues shows an unfavorable variance of \$12,147 as the annual billing was higher than anticipated. We expect an unfavorable variance of \$12K at year end.

Mike H made the motion to accept the GL7OA August 2019 Unaudited financials and Nick D seconded.
Discussion:

- *A continued favorable trend to the budget will result in retained earnings.*

All in favor, motion passed.

AR REPORT

- 97% of dues paid as of 9/1/19
- 98% of dues paid from 2017-19
- 22 Deeds Recovered since January 1, 2019
- Monies gained through Deed in Lieu Settlements \$20,545

Discussion:

- *There are currently 194 owners on payment plans that are due to be completed before the 2020 billing cycle.*

GENERAL MANAGER REPORT October 2019

Unit Upgrades:

The appearance of units continues to be a top focus for the Grand Lodge on Peak 7 team. This fall, the following items have been upgraded:

- North Building dining room furniture has been replaced, completing the replacement of dining tables, chairs and bar stools throughout the property
- North Building unit art has been upgraded in all masters and suites. The new pieces of art have been sized specifically for each unit's unique floor plan
- South Building unit carpet replacement has been completed. All unit carpet throughout the property is two years old or less
- Accent pillows for the living room sofas have been replaced throughout the property

Property Improvements:

We continue to improve the grounds and common areas throughout Grand Lodge on Peak 7. Here is a list of recent improvements:

- Conference room received new table, chairs, and televisions
- The children's pool has a new play feature. It is a slide that resembles a whitewater raft
- South Building elevator cabins were refurbished and upgraded to a finish that can be easily replaced, saving the HOA money for future repairs
- Sevens staircase and ground floor carpet in the South Building has been replaced
- Soothe Spa lobby and nail salon floor has been upgraded to a nonslip tile. This improvement was completed at the Developers' expense and adds an additional safety feature.
- New umbrellas have been added to the pool and grill areas.
- Indoor pool area received new ceiling tiles, LED lighting and fresh paint.
- Trees behind the North Building were removed and thinned per fire mitigation. This was an additional step to keep our property as safe as possible in the instance of a wildfire. Red White & Blue gave Grand Lodge on Peak 7 a fire and safety rating at the highest level, which is Green.

Owner Enhancements:

We use feedback provided by our owners to enhance the vacation and ownership experience. We are excited to share these recent updates:

- Owners and guests staying on property have the option to text all requests, questions and comments to the Guest Services Team. This option is available upon check-in and throughout each stay
- Resort Exchange Fee has generated over \$24K of HOA income through July of 2019
- Resort Rental Fee has generated over \$48K of HOA income through July of 2019

Leadership Updates:

We are excited to introduce our newest members of the Grand Lodge on Peak 7 Leadership Team:

- Rob Wilson is the Assistant Engineering Manager. Rob has worked at BGV for four years, most recently as the Engineering Manager at our sister property, Gold Point. Rob brings a wealth of

knowledge and leadership experience to the Engineering Team. We are thrilled to welcome him to the GL7 Leadership Team!

- Janna Polgar has filled the new position of Assistant Guest Services Manager. Janna has been with BGV for over two years working in Owner Relations as a Senior Owner Support Specialist, mentoring her peers and meeting with owners regularly to help them maximize their ownership. She brings a wealth of knowledge and leadership to GL7!
- Aaron Minglin has filled the position of Chief Engineer. Aaron began working at BGV in 2010 as a GL7 Engineering Tech. He has since been promoted and helped open BGV's newest property, GC8. We are thrilled and delighted to welcome him back to GL7. We are confident his knowledge, experience and talent will successfully manage the mechanical systems while training team members and growing their skill sets

Discussion:

- *Joanni mentioned that while the scores have taken a slight drop, it's truly the comments that owners and guests make that allow us to make effective change. For example, scores have decreased due to carpet complaints. This fall, the carpet is being replaced, which should result in increased scores.*

PROPOSED AV CHANGES

Due to some owner requests to make the Annual Meeting available remotely to owners, we have reached out to Image AV, who provides the AV needs for the Board and Annual meetings, for options. Given the number of requests balanced with cost, we recommend Option 1.

- Option 1 - Recording package – capture PowerPoint plus audio record – this would provide a record of the PowerPoint plus audio and a link we can share on Grand Central for owners to hear a complete recording while following along with the PowerPoint for reference. Since Image AV is already providing AV services with them, this would only be an additional \$320.
- Option 2 - Complete remote live interactive with a tech-to-video/audio recording would be an additional \$1,000 to the current AV services. Additional cost would be incurred if more than 10% of owners participated.

Some things to consider:

- To be fair to all owners, we would advertise whatever option, if any, the Board approves in the Annual Meeting Notice.
- With option 2, we would have to manage the technical challenges and interactive challenges that could occur.
- Please keep in mind that only a few owners have requested an interactive option.
- There is also something to be said for the owners who make the effort to attend the meeting.

Roger made the motion to approve Option 1, to capture the Annual Meeting via PowerPoint plus audio recording, and Nick D seconded the motion.

Discussion:

- *The feedback from the recent GTLOA Annual Meeting was that everyone could be heard clearly if they spoke directly into the microphone.*

All in favor, motion passed.

GL70A BOARD WEBSITE

Several years ago, we created board specific emails for Board and Advisory Committee members to use. At that time, we also created a board specific website. Recently, a monthly support fee has been charged for the websites. It is our understanding that the website is under-utilized, and we propose taking the website down instead of paying the support fee.

Discussion:

- *Everyone in agreement that there is no need to pay into the upkeep of the website.*

GL7 RULES AND REGULATIONS

PENALTIES FOR VIOLATION OF RULES AND REGULATIONS

We propose altering the verbiage regarding some of the penalty fees in the Rules and Regulations. This proposed update will hopefully serve as a stronger deterrent of such behavior, as well as to increase HOA income above and beyond recovering the cost of damages.

Current: The Board, the Managing Agent, or their designees shall have the right to issue warnings, to assess fines of up to five hundred dollars (\$500.00) per infraction, and to evict Owners and Occupants for violation of these Rules and Regulations. In addition, Owners and Occupants will be responsible for all damages to the Unit, Common Elements, and their furnishings, or to other areas of the Project as a result of their actions.

Proposed: 1. The Board of Directors, the Managing Agent, or their designees shall have the right to issue warnings, to assess ***fines starting at Five Hundred and no/100 Dollars (\$500.00) per infraction***, and to evict Vacation Owners and their guests for violation of these Rules and Regulations. In addition, Fractional Time Share Owners and their guests will be responsible for all damages to the Vacation Unit, Common Elements, and their furnishings, or to other areas of the Property as a result of their actions.

Mike H made the motion to approve the proposed Penalties for Violations of Rules and Regulations and Nick seconded the motion.

Discussion:

- *Breckenridge Grand Vacations is prepared to charge this fee on multiple instances for repeat offenders.*
- *An estimated 1-2 charges per month are being considered for 2020*

All in favor, motion passed.

STRATEGIC BUDGET PLAN

This presentation will be a follow up to the discussion at last fall's Board meeting regarding the collaboration between BGV and GL7OA to ensure that GL7OA eventually pays for all resort operational expenses in addition to a fair market management fee.

Discussion:

- *Breckenridge Grand Vacations is open to new revenue generating ideas in partnership with GL7OA.*
- *The fair market management fee is based on market conditions and will not exceed 15% of the total annual HOA budget per the new Management Agreement. The annual HOA budget must be approved by the board each year, therefore there will be no surprises to accomplish this goal in a shorter period of time.*

GL7OA MANAGEMENT AGREEMENT

As shared previously, it is BGV's intention to update the current GL7OA Management Agreement, which is due to auto renew on December 31, 2019. Since the Management Agreement was executed nearly a decade ago, various changes pertaining to BGV's management of the resort have evolved over the course of time. We would like to take this opportunity to update the Agreement to more accurately reflect the current scope of BGV's management operations. In addition, while the current Management Agreement provides for the Association's Board of Directors to review and approve the Association's expenses via the annual budget process, we would also like to take this opportunity to update the Agreement to better support our collaborative efforts with regard to the elimination of the developer contribution to certain operational expenses and work towards gradually implementing a fair market management fee. Due to the GL7OA's overall good financial position, the time to make these amendments to the Management Agreement is in step with the upcoming renewal date, as well as with the proposed 2020 GL7OA budget.

Roger made the motion to approve the GL7OA Management Agreement and Mike H seconded the motion.

Discussion:

- *Breckenridge Grand Vacations is aware of conversations surrounding the potential paving of the roads in the Peak 7 neighborhood.*
- *It was confirmed that the 10 day timeframe to cure is a reasonable inclusion in the Management Agreement.*
- *New recommended language in Section 6.1 of the Management Agreement to read as follows:*
 - 6.1 Management Fee. Manager shall provide the services required of it hereunder, for which services the Association shall pay to the Manager an annual management fee equal to three percent (3%) of the Association annual budget during the first year of the Initial Term and shall thereafter increase by up to five percent (5%) of the Association annual budget at the

beginning of each following annual budget year; provided, however, in no event shall the management fee exceed fifteen percent (15%) during the Initial Term or any renewal term of this Agreement. Payment of the annual management fee shall be in addition to any other reimbursable expenses paid to the Manager by the Association pursuant to the terms of this Agreement.

Action Item- *Explore taxable fringe benefit concern associated with employee housing.*

All in favor, motion passed.

PROPOSED 2020 BUDGET

General Summary

Proposed 2020 GL7OA Budget: \$9,891,579, a 3.6% increase in dues compared to 2019

Based on the forecast for the remainder of 2019, the GL7OA is expected to show an overall favorable variance of approximately \$263K, which is 2% of the total budget. This is primarily driven by the following income and expense line items:

- Exchange Resort Fee Income was not budgeted in 2019 and generated a favorable variance of approximately \$68K.
- Late Fee Income shows a favorable variance of \$34K.
- Housekeeping Cleaning expense is forecasted to have a favorable variance of approximately \$250K as a result of generating more revenue than budgeted.
- Other, net is forecasted to be approximately \$89K unfavorable.

As you know, the GL7OA is not currently fully self-sufficient in regards to paying for all expenses associated with operating the resort. As discussed last year, the GL7OA and BGV are working in partnership to eliminate the developer's contribution. As such, you will notice new or retitled operational expense line items that will pass through to the GL7OA including Guest Services, Guest Reception, Resort Operations (formerly Security), the Owner Relations Fee (formerly the Front Desk/Rez Fee) and the Employee Housing Reimbursement. In addition, you will notice the elimination of certain other expenses such as the Accounting Fee, HR Fee, IT Fee and Sustainability. Within the proposed 2020 budget, all operational expenses have been passed through to the GL7OA, thus eliminating the developer's contribution in its entirety. As a result, the proposed 2020 budget now includes the full 7.5% Rental Reservation Resort Fee (previously 2.5%), which is contingent upon the execution of the new Management Agreement.

Dues Comparison

- Current Annual 2019 Dues: \$1,561.37 (per week in a 2-bedroom lock off)
- Proposed Annual 2020 Dues: \$1,616.81 (per week in a 2-bedroom lock off)
- Total increase to the annual dues from 2019 to 2020: \$55.44 (approx. 3.6%)

Mike H made the motion to approve the 2020 proposed GL7OA budget and Roger seconded.

Discussion:

- *The insurance increase is related to two factors - An annual premium increase and ensuring sufficient replacement value. Travelers may change their wildfire risk modeling which could result in significant, unbudgeted increases.*
- *Confirmed that IMA is shopping the market for insurance providers.*
- *The current insurance is due to renew February 1st. BGV is pursuing a renewal date of October 1st across all properties to help with more accurate budgeting.*
- *There is not a specific tipping point that BGV would anticipate regarding shopping other insurance providers.*
- *The annualized average increase to the dues since 2014 is 5.4%.*
- *Breckenridge Grand Vacations always strives to meet a 3% or less budget variance. The six-year average budget to actual variance is 1.8%.*

All in favor, motion passed

GL70A FACEBOOK PAGE

It has come to our attention that GL7 owner Mark Montano created a GL70A Facebook page in July of 2018. Currently, there are 11 members. Mr. Montano reached out to the GTLOA Board president for suggestions on running this page, who informed me of its existence.

Since this Facebook page is not created nor monitored by BGV, I have requested that Mr. Montano post on the landing page the following message to GL70A owners, which was approved by legal counsel:

This Facebook page is administered by Mark Montano and not monitored nor controlled by Breckenridge Grand Vacations. If you have any questions or comments for Breckenridge Grand Vacations management regarding your ownership, please reach out to Peggy Helfrich, HOA Operations Manager at phelfrich@breckqv.com to direct your question to the appropriate staff. Otherwise, please feel free to visit the BGV monitored Facebook page at <https://www.facebook.com/GrandLodgeonPeak7>.

Additionally, if Mr. Montano requests any support to promote this FB page, he will need board approval as there could be costs associated with such a request.

Discussion:

- *This page was brought to our attention because the administrator reached out to the GTLOA Board President for recommendations on the page.*

COMMENTS TO/FROM THE STAFF

Brian McKenna contacted Peggy regarding the removal of the swimsuit spinners. She explained the reasoning behind the removal.

At the June annual meeting swimsuit dryers were a topic of conversation as they were removed from Grand Lodge on Peak 7. Per the recommendation of the Board and Advisory Committee, bags were installed as an alternative solution to store wet swimsuits. Not offering an alternative was a miss on management's part and we are happy to report with the new addition of bags, the comment shared is *one of only two* the staff and management have received regarding missing the swimsuit dryers.

Discussion:

The swimsuit bags have been a great alternative to the swimsuit dryers. In addition, combs will be removed from the locker rooms due to comments on quality and the litter that is created around the resort. This will also create some cost savings.

NPS REPORTS

GNPS is at 68%, with 76% being promoters.

GONPS is currently at 68%, with 77% being promoters.

TRIP ADVISOR

Grand Lodge on Peak 7 is currently ranked #2 of 23 Hotels in Breckenridge.

Discussion:

- Sevens lease is due to expire in 2024. GL7 Leadership is meeting with Seven's Management weekly to ensure quality.
- Occupancy YTD has been the highest in property history, with Q3 occupancy over 97%.
- The Front Desk will be ensuring that movie theater procedures are being clearly communicated to all owners and guests.

GL7OA SNAPSHOT

- Remained reliably in the Top 10 on Trip Advisor, currently at #2 of 23 properties under "Hotel" category and have 4.5 out of 5 stars!
- Owners and guest service scores YOY:

GL7 Service Score Comparison	Last Year's Avg 10/1/2017- 9/30/2018	This Year's Avg 10/1/2018-9/30/2019
Front Desk	9.40	9.32
Room Engineering	9.06	9.13
Housekeeping- Room Cleanliness	9.44	9.45
Housekeeping- Staff	9.20	9.17
Activities	9.12	9.00
Amenities	9.37	9.47
Soothe Spa	9.21	9.35
Sevens	7.96	7.92
Shuttle	9.27	9.37
Overall accommodations	9.03	9.12

GNPS	70.32	67.80
GONPS	70.16	68.50

- Some owner and guest service scores have increased while others have decreased.
- The scores tell us how we are doing; however, the comments help us identify specific opportunities to improve. Based on the feedback received the following action items have been implemented or are in progress to improve scores:
 - All South Building residences carpet has been replaced which is has been the number one negative comment about the appearance of Grand Lodge on Peak 7.
 - Full Resort Closure has been scheduled Fall 2020 which will reduce amenity closures which is the number one negative experience comment while staying at Grand Lodge on Peak 7.
 - We welcome any and all suggestions for ways to continue to be better tomorrow than we are today.
- Property improvements in 2019:
 - Mattresses have been replaced throughout the resort.
 - Carpet replacements have taken place in all South Building residences as well as the Sevens stairwell.
 - The indoor aquatics facility has seen a facelift with a new interactive pool feature in the zero entry Kid’s pool as well as plants to liven up the area.
 - Dining room furniture and artwork has been upgraded in all North Building residences.
 - Wildland Fire mitigation to the National Forest surrounding the North Building has been completed.
 - The Fitness Center has been upgraded with new strength equipment, including a TRX Studio.
 - Soothe Spa has received new flooring in the lobby, boutique and nail room.
 - The grotto has been upgraded with new furniture.
 - The Conference Room has been upgraded with new furnishings and technology.
 - South Building domestic water boilers were replaced with a newer, more energy efficient model.
 - Bulk amenity dispensers were added to all bathrooms of all the residences helping decrease expenses while being environmentally friendly.
 - Heat tape and gutters were upgraded throughout the resort.
- Reserve studies 6% funded based on actual cash balances as of 10/1/19 for 30-year forecast:
 - GL7 unit – 8.1%
 - GL7 common – 4.4%
- % of dues allocated to reserves in 2020 for a 2 bedroom:
 - 14.87%
- HOA dues comparison for 2019:
 - Grand Lodge on Peak 7 is \$1,617.05 for a 2 bedroom

Grand Colorado on Peak 8	Breckenridge	2 Bedroom CO	\$2,178 (2019)
Grand Colorado on Peak 8	Breckenridge	2 Bedroom Breck	\$1,893 (2019)
Grand Timber Lodge	Breckenridge	2 Bedroom	\$1,252 (proposed 2020)
Marriott Mtn. Valley Lodge	Breckenridge	1 Bedroom	\$1,692
Hyatt Main Street Station	Breckenridge	2 Bedroom	\$3,256
Valdoro Mountain Lodge	Breckenridge	2 Bedroom	\$2,866
The Ranahan by Welk	Breckenridge	2 Bedroom	\$2,540 (540,000 points)
Marriott Streamside – Evergreen Vail		2 Bedroom	\$1,850
Sheraton Mountain Vista	Avon	2 Bedroom	\$1,500

- Increase to dues comparison:
 - 2014 – 2020 GTL annualized dues increase – 6.9%
 - 2014 – 2020 GL7 annualized dues increase – 5.4%
- Budget to Actual variance comparison:
 - 2014 Budget \$7,106,986
 - 2014 End of Year Op Fund Deficit of \$115,073 – 1.6% of the total budget
 - 2015 Budget \$7,727,088
 - 2015 End of Year Op Fund Excess \$222,001 – 2.9% of the total budget
 - 2016 Budget \$8,036,665
 - 2016 End of Year Op Fund Excess \$57,277 - .7% of the total budget
 - 2017 Budget \$8,644,223
 - 2017 End of Year Op Fund Excess \$159,567 – 1.8% of the total budget
 - 2018 Budget \$9,023,685
 - 2018 End of Year Op Fund Excess \$81,677 – 0.9% of the total budget
 - 2019 Budget \$9,580,829
 - 2019 End of Year Op Fund Excess \$262,538 – 2.7% of the total budget
 - Six-year average budget to actual variance is 1.8%
- GL7OA AR as of 9/1/19:
 - 97% of dues paid as of 9/1/19
 - 98% of dues paid from 2017-19
- Deeds Recovered since January 1, 2019 - 22
- Monies gained through responsible exit strategy 2019 - \$20,545

IMPORTANT DATES

June 6, 2020 – Board and Annual Meeting

Contract / Agreement Dates:

Management Agreement:

- Initial term from 1/1/2010 – 12/31/2019
- Auto renews for successive periods of 3 years.
- Action for change required 90 days prior to renewal.

Interval International Agreement:

- 12/5/2020
- No auto renew

Resale Agreement:

- 1/1/2018
- Renews annually
- Auto renew with 90 days written notice for change

Reserve Study Update:

- 2021

Sevens Restaurant Lease

- 2/4/2024
- Action for change required no earlier than 365 days and no later than 180 days

ACTION ITEM LIST

#72 – Add bags to all locker rooms for wet swimsuits.

This has been completed and shared in the August missive. **Recommend to close. CLOSED 10/21/2019**

#73 – Add a clock to the grotto that will withstand the humidity.

This has been ordered and will be installed as soon as it is received. This was shared in the August missive. **Recommend to close. CLOSED 10/21/2019**

#74 - Add a larger clock to the outdoor pool area that can be seen from across the pool.

A new clock was purchased, but we didn't get one clock that would be visible from all pools and hot tubs. We are actually adding two more clocks to various locations outside. They are smaller than discussed but solve the issue to have viability in various location while outside. **Recommend to close. CLOSED 10/21/2019**

#75 Send out Summit Daily News article about the State of the Town.

Peggy sent this with the June 2019 missive. Additionally, there will be a Town of Breckenridge update at the Annual meetings. **Recommend to close. CLOSED 10/21/2019**

#76 – Gather information on Day Use comments regarding the age being 21 and research option of changing the age to 18.

Day Use typically has high demand and waitlists with the current structure. Lowering the age to 18 would increase the number of owners requesting Day Use and could impact capacity at the resort. We have only received a few requests to lower the age to 18 and they mainly come from GTL owners who have upgraded. GTL has some Day Use differences, as with GL7, the Developer owns the Club benefits and at GTL they do not. Therefore, the GL7 Day Use age

adjustment would have to be approved by the Developer, and they do not wish to impact the owner experience in this way. **Recommend to close. CLOSED 10/21/2019**

77 - Add the Sevens lease and notice dates to the Important Dates section of the board packet.

This is now a part of the board packet moving forward. **Recommend to close. CLOSED 10/21/2019**

The meeting was adjourned at 7:36pm by Roger and Mike H