

Gateway South Centre

Condominium Corporation 0614475
Annual General Meeting
May 7, 2015

Location:
Owners Lounge
Gateway South Centre
11811 Lake Fraser Drive SE
Calgary Alberta

Time: 6:30pm

Call to Order

The meeting was called to order at 6:32pm

Introduction of Head Table

Candace Mehls introduced herself, welcomed everyone to the meeting and advised she was prepared to chair the meeting.

The Head Table was introduced:

Board Members

Patricia Cyr
Andy Gregory
Selena Houben
Dennis Locking
Mona Soyland
Tyler Stapleton

Absent

Leanna Chan
Ryan Locking
Nathan Wong

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Other Representatives

Scott Venturo LLP Barristers & Solicitors

Gillian Holowisky

Mechwave Engineering

Alan Williams

C-Era Property Management & Realty

Candace Mehls	CEO of C-Era Property Management & Community Manager for the Corporation
Jessica Bakken	Business Development
Chelsey Mehls	Representative

Verification of Proper Notice

Notice of the Calling of the Meeting was referred to and the Chairperson advised it had been mailed to all Owners.

Verification of Quorum, Certifying of Proxies

The number of Unit Owners in attendance was considered quorum as this was the **second calling** of the Annual General Meeting.

- a) 100 Units were represented by personal appearance of the Owners thereof:
- b) 6 Units were represented by proxy.

A total of 106 units were represented at the meeting for voting purposes

Approval and Adoption of 2014 Annual General Meeting Minutes

Candace Mehls requested a motion from the floor to adopt last year's Annual General Meeting Minutes of 2014

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Motion: Unit 1004, Thomas Cox

Second: Unit 4608, Anna Maria Bucaro

All approved

Candace advised that as the legal representative was running late she would present the Audit and Management Report.

Presentation of Audit

Candace Mehls presented the Corporation's audited financial statement for the year ending December 31st 2014 in absence of the Board Treasurer, Nathan Wong.

Management Report

Candace Mehls presented a copy of the Management report. The following items were highlighted:

- The building is 47% tenant occupied with 237 of the 500 units rented.
- Starting this month, I will begin training a new community manager for Gateway South Centre, Bradley Scott.
- The property is compliant with the new recycling Bylaw and has been for a few years.

Geo Thermal Report

Alan Williams of Mechwave Engineering presented an update on the status of the Geo Thermal System. The following points were highlighted:

- We were successful in installing the filtration system in zone 2 and testing it. In the geo thermal system there was debris (rust particles) in the ground loops, which were picked up and circulated through the system. As the particles come loose, they are picked up by the filtration system and removed out.

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- For the first month we removed a high amount of debris, which then settled down. When the flow changed from heating to cooling, the debris removal increased again.
- We are currently filtering out the debris, following this we will clean out all of the valves. Zone 1 and 2 has the filtration system. We will then run it through for a year and a half and then will clean out valves.
- On the system there are solar panels that dump heat back into the geo system in the winter. There were a number of damaged, frozen solar panels and they have been replaced. The original consulting engineer was engaged to complete the project; they then went through and have commissioned all of the controls for the solar side. The system has now been properly commissioned on this end.
- **Owner Question:** Are the solar panels now fully functioning?

Alan Williams: Yes.

- **Candace Mehls:** We have noticed a reflection of this in repairs and maintenance, in 2013 the repairs were \$28.00 /Unit, this year the repairs are \$8/Unit.
- **Owner Question:** When did the solar panels start working?

Alan Williams: In late fall 2014.

- **Owner Question:** The idea is we should require less outside heating capacity for the geo thermal, have we noticed any savings in our heating bills?

Alan Williams: It will reduce operating costs somewhat, but the primary need is the balance to the geo system. You need to recharge ground loops, which is what the solar panels are there for. We are not monitoring the specific cost savings.

- **Candace Mehls:** It's a combination of efforts, the fact that geo system is working better and the fact that Corporation understands the equipment and how to manage and control it; it's a collective effort. All of these actions have created a more affluent system.
- **Alan Williams:** The system is more under control so moving forward there is less effort being spent by contractors and everyone involved.
- **Owner Question:** Is this a permanent filtration system, if so what is the wait on it?

Alan Williams: It is permanent. When you get a certain pressure drop on the filters they will need to be changed, likely on yearly basis.

- **Owner Question:** Has the geo thermal system been fully commissioned?

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Alan Williams: It is not fully commissioned.

- **Owner Question:** Is it something that will be done?

Candace Mehls: I think the legal presentation can best address this question.

Alan Williams departed the meeting following his presentation

Legal Presentation

Gillian Holowisky of Scott Venturo LLP Barristers & Solicitors provided an update on the Statement of Claim and Terms of Settlement:

- We became involved with the claim approximately 1.5 years ago. The situation was lots of claims from lots of different parties and counter claims. We have 28 binders of pleadings alone with different parties pointing fingers. There were two main claims the Corporation was pursuing:
 1. The geo system was not operating the way it should, with extra costly maintenance required.
 2. There was failure to disclose and the lease to the geo system wasn't enforceable.
- We discovered that the original purchasers received disclosure of the lease in the sales packages and there was reference to the fact that the building was built differently to most buildings and being operated with a geo thermal system that wasn't owned by the Corporation. We looked into this to see if there was anything we could do to void the lease. Precedent was recently set by the Alberta Court of Appeal in another claim for this so we concluded that it was not in the Corporation's best interest to spend continued legal dollars pursuing this.
- We had an expert firm from Massachusetts generate a large litigation report and we sat down with GC Capital in December to review the report and see what they wanted to do. This started the conversation for how to get the Claim resolved.
- When costs were run it was determined it would have cost around \$4-5 million to build the system at the time of construction. The lease was for \$25,000/month for 25 years. At the time we met, there was 16.5 years left on the lease with a \$250,000 buy out at the end of the lease. This totaled a \$5.5 million commitment and we were confident that the geo system was on its way to working the way it should.

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- There was back and forth discussion and GC Capital agreed to a settlement of \$1,125,000 for the costs incurred with the geo system not being properly commissioned and in fully functioning at the time of turn over.
- The settlement that was entered into is 1.125 million. The Board has been paying the lease into a trust account, which has currently accumulated to approximately \$350,000.
- If a deal is done for May, the total present value is \$4.1 million. Along with \$315,000 + \$75,000 in cash, with a \$734,000 discount on buy out of total lease.
- If we continue status quo, \$5,490,000 will be paid out across 16 years. Additionally, every time there is an issue with the geo system, we have to go to our engineer who then has to go to GC Capital's engineer to come to an agreement for maintenance and repairs, all costs the Corporation is responsible for.
- John McDougall and the board have negotiated a loan with TD bank for two 5 year loans. The bank could call the loan after the first 5 years though this is highly unlikely. The Corporation would have the option to pay the loan out if you wanted to. The loan is for a total of \$4.173 million.
- The settlement saves the Corporation over \$1.7 million, not taking into consideration additional costs like engineering fees etc.
- While settlement agreement was for \$1.125 million, it works out to being closer to \$1.8 million.
- To precede with the loan a Special Resolution of 75% of owners is required.
- **Candace Mehls:** The lease is stressful for the Corporation; if something goes wrong with the geo system we have to contact Alan Williams, who then has to contact GC Capital who then has to contact their engineers. This settlement provides an approximate savings of \$85,000 a year by saving these types of costs.

Additionally, once the lawsuit is gone, it's removing the dark cloud from the building, which brings the value back up on units. It's a large value increase to owners.

The other upside is that there would be no further special assessments required to pay for engineering or legal fees.

The difficult side is getting a 75% signed Special Resolution within the time frame required. If we can't facilitate the Special Resolution then the commitment has to be paid out by the ownership which would require a Special Assessment with a very short term for payment.

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I wasn't privy to these negotiations as I was also named in the counter suit by GC Capital but after running the numbers I believe this is a win for the Corporation.

- **Dennis Locking, Board Member:** I wanted to get on the Board to help shepherd the Statement through; it is in our mutual advantage to get this suit resolved or we will spend unnecessary funds on legal fees. The Board is entrusted to make decisions on behalf of the ownership and in this situation there were only two options. We weren't initially sure who would loan a Condominium Corporation money without tying each individual unit to the loan. However, the TD bank stepped forward and they are only tying the geo thermal system to the loan, there is no tie to each individual unit. There is an extremely low to no probability of us not paying our loan and we didn't suspect that owners wanted to pay \$6,000 - \$7,000/Unit for a cash settlement. However, we need owner approval to continue with loan. This is time sensitive as it has to be facilitated before the end of June.

- **Owner Question:** Are electronic signatures acceptable?

Gillian Holowisky: Electronic or original are all acceptable however all owners on title must sign the Special Resolution form for that Unit.

- **Owner Question:** So we own the geo system after 10 years?

Dennis Locking, Board Member: We have taken the loan out for a 10 year amortization at no additional cost to our budget for payments. We will have option to pay the loan out after 5 years.

- **Owner Question:** The Board made the decision with legal counsels input to pursue a settlement as another outcome was not as positive as originally thought?

Gillian Holowisky: The initial claim was broken into two parts, the deficiency part and the lease part. The best case scenario was being able to prove that the lease was not valid; this was the part of the Claim that had highest value. The Alberta Court of Appeal decision put the nail in the coffin on this; this decision just came out within the last year. When we took the file over, we had won a QB level case where we made an argument that when a general contractor had a vested interest they couldn't sign a lease or Bylaws in a way that would harm the future Board or units. Unfortunately, in the summer of last year, the Alberta Court of Appeal completely reversed that decision and there was little to no chance we would be successful on this. We then shifted focus onto the deficiency part of the claim, which is where we are now.

- **Dennis Locking, Board Member:** It is important to understand that there was a disguised blessing by going down this road as we had to look very closely at the geo system and not leave any stone unturned in regards to maintenance of this system. This is what led to Mechwave designing a special filtration system.

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It was the contaminants that got inside the geo system that caused it to fail. We discovered that once the system was clean, we would have a system that works. The science behind it is sound; we have a very good geo thermal system which will add long term value. It didn't initially function properly as it wasn't put together correctly.

- **Owner Question:** What is the strategy to get the signatures needed within the required timeframe?

Candace Mehls: We have taken some names from owner volunteers from the first calling of the AGM. If you are interested in helping please give us your name at the end of the meeting. We will be keeping track of what units have provided a signed Special Resolution and what Units we need one for.

- **Owner Question:** I only require a yes or no answer on this; I have purchased 6 heat pumps to replace defective ones within the Units I own. Will there be any compensation for this?

Dennis Locking: Unfortunately no.

- **Owner Question:** What are the monthly loan payments?

Dennis Locking: The payments work out to approximately the same amount of our current monthly lease payment.

- **Owner Question:** So this won't have an impact on the condo fees?

Candace Mehls: No, and if there is a small fluctuation, we will be saving money on legal and engineering fees which will compensate.

- **Owner Question:** To build this system from scratch it would cost approximately \$4-5 million and this system has been in use for 8 years. This existing system can't be worth \$5 million any longer.

Dennis Locking: The depreciation on this system is not the same as other systems so it does hold its value.

- **Owner Question:** How long would a new system like this last?

Dennis Locking: It will essentially last forever, with proper maintenance.

- **Gillian Holowisky:** The numbers that Alan ran for the system were taken from the time the system was constructed; the \$4-5 million was calculated from approximate costs in 2007, not approximate costs today in 2015.

- **Owner Question:** Has the system now been commissioned?

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Candace Mehls: With all of the work that Mechwave has done with Concept and with Rheinbold, you are closer to fully commissioned.

Owner Question: There isn't an engineer that is going to sign off and say this will work perfectly as no engineer will want to take that liability.

- **Gillian Holowisky:** You have had two sets of engineers look at the system, Alan Williams is very respected in the City of Calgary and the firm from Massachusetts is the best of the in the states. They design these systems and have been experts in other litigation. Both parties believe the design was good, it was the debris that was causing problem.
- **Candace Mehls:** While the filtration system is working, there are fewer problems with the filters. On another note, if you are running an electrical heater in your unit because your heat pump is broken and you can't afford to fix it please contact me and we can try to work out an arrangement. It has been brought to my attention this has taken place. This creates a huge liability for the Unit.
- **Owner Question:** When a potential buyer looks at the financial statements, and sees a liability for \$3.5 million what is the answer?

Dennis Locking: That we own the system for a loan over a 10 year amortization.

- **Owner Question:** I have spoken with Alan about this in past, we have no measurement of temperature in the system, did the Massachusetts experts speak to this or did they simply say as a system, the system is well built?

Dennis Locking: I believe it was the system is well built.

- **Owner Question:** We are rewarding Wallace Chow for a system that could be an under performing asset which never does perform, if the temperature is not theoretically anticipated.

Candace Mehls: This question should have been directed to Alan Williams as the expert.

- **Dennis Locking:** The recommendation from the consultants from the States was that there was confidence that the system was good and would work. I have confidence that the people who are advising us have thought of these issues and are giving sound advice. The problem with our lease was that whether the system worked or not, we were still under obligation to maintain the lease and pay for it.

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Resignation of Officers

The present Board of Directors put forth their resignation by way of calling the Annual General Meeting.

Election of Board of Directors

The Chairperson, Candace Mehls, asked the Ownership if anyone was interested in letting their name stand for election to the Board of Directors. The following Owners agreed to let their name stand:

Unit	Owner
1004	Thomas Cox
1502	Patricia Cyr
2614	Andy Gregory
2313	Selena Houben
3313	Douglas Kalin
1304	Dennis Locking
1308	Ryan Locking
4412	Mona Soyland
6311	Tyler Stapleton

Candace Mehls asked for a motion that the nominations close and the above Owners be elected to the Board.

Motion: Unit 5303, Barbara Grisdale

Second: Unit 3604, Fanny Ratisseau

All in favour

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Old Business

- **Dennis Locking:** The rear pond won't be a water holding pond; it will be a water retention pond during storms. It will be full of plants that will live properly in that environment. We will redo the gazebo with walking paths and benches. We have thought around putting an outdoor exercise area in one area, though no firm decision has been made on this. The outfit that did the sidewalks this winter will be completing the summer work as well.

- **Owner Question:** Are you looking at benches?

Dennis Locking: Yes, benches and sitting areas will be available so it's a user friendly place for summer

- **Owner Question:** Over the year will there be a condo fee increase?

Dennis Locking: We are committed to keeping the budget firm.

- **Owner Question:** When will this project be complete?

Dennis Locking: We are hoping for August or September. The irony is that the Mazda dealership is owned by people involved in lawsuit however, the settlement has improved the situation to that degree that they are going to allow us to take gravel trucks through their dealership to access the area.

- **Owner Question:** We have construction gates up, will those be permanent? It could be good to have a locked gate that requires fobs. I have caught a suspicious looking individual in this area three times.

Dennis Locking: That is a good suggestion, if you can send this info through the website to the Board we can look at it.

- **Owner Question:** With the exterior pond have there been potential concerns about water damage to building envelope?

Dennis Locking: There was but after further inspection we have discovered that there is no issue with this.

- **Owner Question:** I reviewed some recent Board meeting minutes and was impressed with what the Board is doing on some files. I would like to receive the minutes on a regular basis but was advised that it would cost \$20 per meeting. I think it would be worthwhile for the owners to have the minutes and see what the Board is working on.

Candace Mehls: Under the Condominium Property Act and our management agreement, we act as a keeper of the documents, upload them to a website we pay for

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and our compensated for this by charging for documents. If the Board wants to give the minute to all owners at no charge we can definitely discuss this and negotiate it as part of our contract.

- **Owner Question:** Are there any plans to put limited recycling in some of the other garage rooms?
- **Board:** It was reviewed in past and it was decided to keep it in the main room but we can revisit it.
- **Owner Question:** Can we change the medico keys to fobs?

Candace Mehls: We can definitely do this. It is a \$2,500 cost per door but we can do this with Board approval.

- **Owner Question:** We had 4 competing bids for the pond work, what is the value of the contract that was approved?

Dennis Locking: \$200,000 plus a \$20,000 contingency which includes the pond and the surrounding area.

- **Owner Question:** We didn't discuss specifics of proposed work for the courtyard.

Dennis Locking: I think the primary focus of this meeting ended up being the Settlement and Special Resolution; however, we have the plans and came make them available in the site office if owners want to come and review them.

The meeting was adjourned at 8:03 pm


Chairperson