



**WILLOWS QUARTER SHARE CONDOMINIUM OWNERS LLC
WILLOWS MANAGEMENT LP
WILLOWS CONDOMINIUM AT VAIL INC.**

ANNUAL MEETING SATURDAY, SEPTEMBER 14, 2013 MINUTES

Opening Remarks - John Connell, President

Roll Call and Introductions Present: John Connell, Richard & Pam Hinds, Billy & Mary Ann Rice, David & Wanda Yraastroza, Jaime & Pat Yrastorza, Curt Freed, Steve Lebeau, Brian Stauffer and Tim Hargreaves. Proxies held by John Connell: Marilyn Dykstra, Gene Cloud, Gene Cloud, Francisco Cibebe, Francisco & Margaret Cibebe. Proxies held by Tim Hargreaves: Steve Campbell, Paul Pinto, John Pinto, Tracy Tally, Rod Nowadzky, James Fangmeyer. Proxies held by Brian Stauffer: Al MacGillis.

Proof of Notice of Annual Meeting. The meeting notice was sent to owners on August 8, 2013.

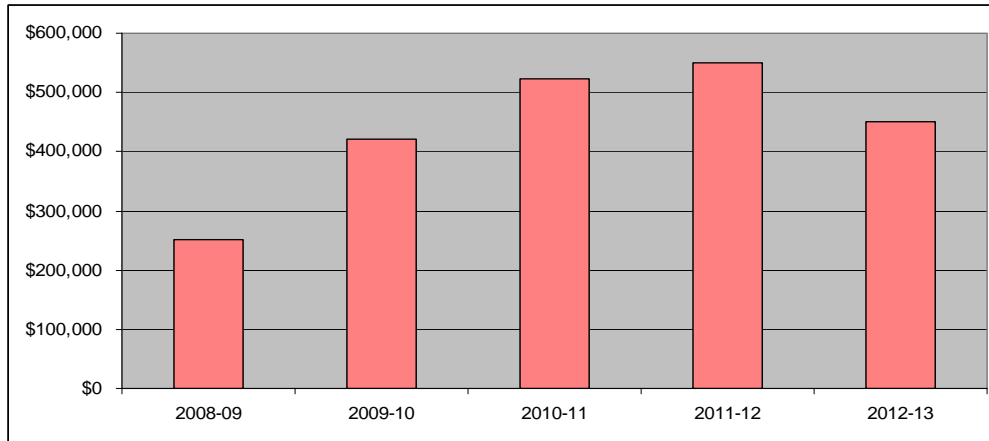
Quorum of Owners and Proxies (20% of owners [6 votes]). A quorum for the meeting was established, there being a total of 22 quarter share owners represented by members present and proxies.

Approval of Minutes of September 15, 2012. A motion was made to dispense with the reading of the minutes by Richard Hinds and seconded by Jaime Yraastroza.

Report from Board of Directors. John Connell explained to the owners that the board has made some recommendations regarding changes to the Reservation Procedures and they would be covered in Tim's presentation. There has been an increase in owner usage which we see as a trend that is not going to be reversed.

Report from General Manager. Tim told the meeting that last winter revenue declined by \$100,000 over the prior year:

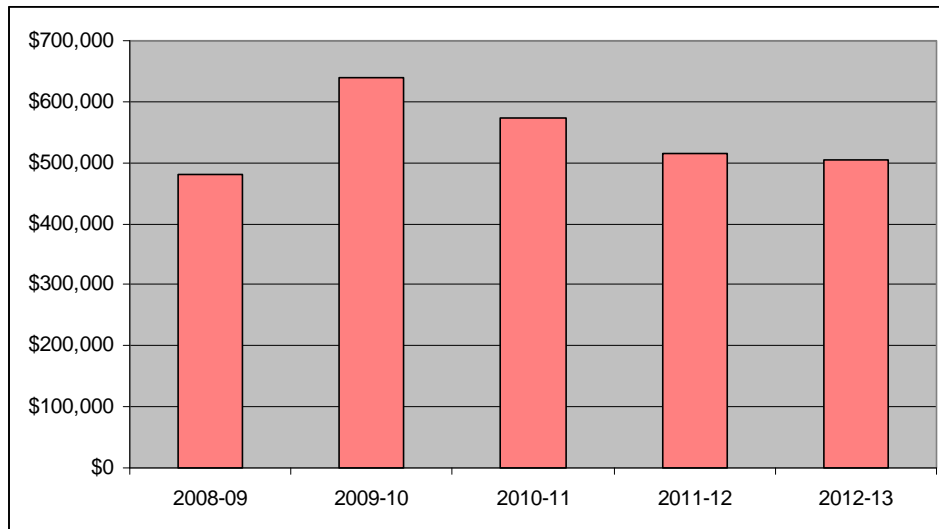
WQS Gross Revenue Winter Months



The decrease was due to a number of factors including extremely poor snow conditions in winter 2011-12 and a slow start to snowfall 2012-13. Increased owner use: there was 100 additional days of owner use 2012-13 versus the prior year. And the timing of Easter which was very early last year, slipping back into March. This effectively ended revenues for April.

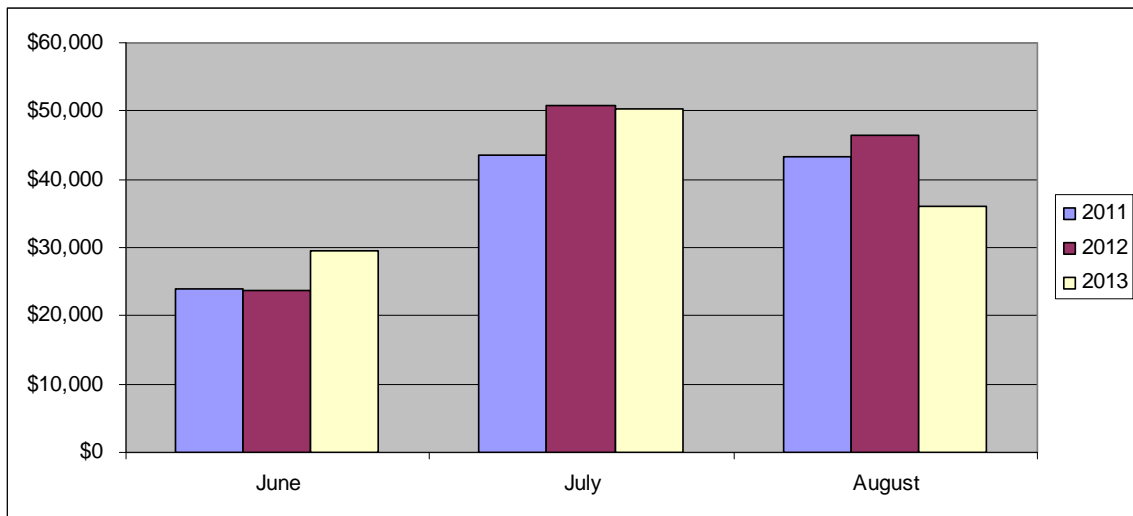
Revenues were also down slightly for Willows Management due to similar factors:

WMLP Gross Revenue Winter Months

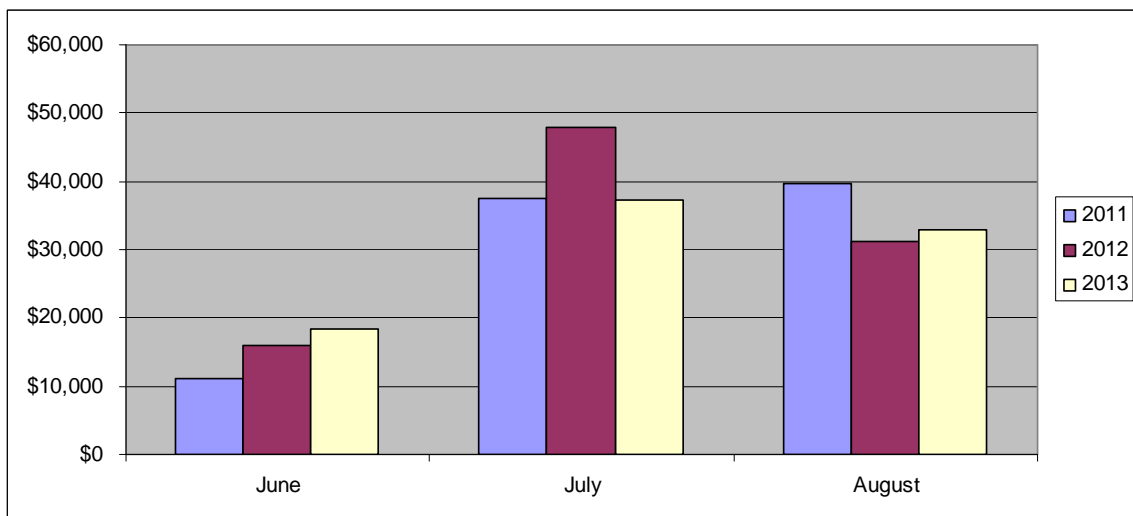


Over the summer months revenues declined in July and August. Paid occupancy this July was 54% compared with 82% last July. While owner occupancy increased from 8% last July to 26% this year. The gross revenue number for July was maintained by increasing our average nightly rate from \$221 (last July) to \$333 (this July). August numbers were even more dramatic: August 1-19 period, owner occupancy increased from 13% to 37% year-over-year. Kids went back to school earlier this August which also reduced demand year-over-year as we hit the third week of the month.

WQS Summer Revenue by Month



WMLP Summer Revenue by Month



Tim presented the Willows Quarter Share and Willows Management year-to-date financial reports. Attached. Richard Hinds commented that new owners have a much higher basis for depreciation.

Tim presented the board proposed changes to the reservation procedures. The first change calls for owner cancellation policy to be changed to match renters policy – owners will not be charged for cancellations made more than 30 days prior to a stay (the current policy is 14 days.) Richard Hinds mentioned that exceptions would be made for documented medical conditions that prevented owner use. Billy Rice made a motion to pass the change which was seconded by Richard Hinds and passed without objection.

The meeting moved on to discuss the proposed change to reduce peak stays of three days to allowable twice during the peak periods as identified on the owner calendar. Minimum stays would be five days thereafter. There was vigorous discussion on this proposal with Curt Freed noting that three night stays were desirable for many owners. Tim Hargreaves presented a slide that shows that these stays at peak times can erode revenue on either side of the stay and in effect making up to a two week period un-

rentable. A motion was made by Richard Hinds to adopt this new recommendation and was seconded by David Yrastorza. Curt Freed proposed an amendment to the motion to decrease the the proposed five day minimum stay to four days. There was no second for the amendment. The motion passed with all members assenting except for Curt Freed.

The third proposal changes the policy that allows owners to take one additional unit for up to seven nights during peak summer season. The new policy allows one additional unit stay outside of peak time. A motion was made to adopt this change by Richard Hinds and seconded by Steve Lebeau. This motion passed unanimously.

The final change to the procedures proposed an expansion of the owner fee plan which has been used for the last two years at Christmas/New Year to certain other high demand periods. Tim presented the time periods and fees that would be charged to the owner drawing accounts.

There was discussion about this plan and the need to recognize the economic value of certain time periods during the year. Billy Rice commented that these fees in no way help make up for lost revenue. They just reduce the drawing account balance of those charged and credit the balance of the other owners not in the property for those nights. Steve Lebeau felt that if anything these charges were too low – and it was acknowledged that these amount do not make up for the potential lost revenue. John Connell stated that there is a cost to other owners whenever an owner stayed at the property that in his opinion should be recognized and that this change as presented was really a step toward that solution. Richard Hinds noted that assessing owners a fee for every day of use would require an amendment to the bylaws but the changes currently presented were specifically authorized as changes to the reservation procedures. Steve Lebeau proposed that the Christmas/New Year period be kept at \$500. A motion was made by John Connell to adopt the proposed fees as presented keeping the Christmas/New Year period at \$500. The motion was seconded by David Yrastorza and passed without objection. The approved fees are set forth below.

| | |
|-----------------------------------|-------|
| Christmas/New Year | \$500 |
| President's Week (7 days) | \$200 |
| Peak Spring Break March (10 days) | \$200 |
| July 4th (4 days) | \$100 |

Old & Unfinished Business. There was not old or unfinished business.

New Business. Pam Hinds noted that some of the sheets are piling and requested that they be switched out. Tim mentioned that he felt that the towels are also going to need replacing in the near future.

Election of Officers. The current board all indicated that they are willing to serve again with the exception of Ken Hill who sold his unit recently. Tim told the meeting that Steve Campbell had indicated that he would be willing to serve on the board and David Yrastorza and Curt Freed (who were present) were also willing to run for election. An

election was held and the existing board with the addition of David Yrastorza were elected.

Adjournment. A motion to adjourn was made and the meeting concluded at 11:45 AM.

09/09/13

Willows Quarter Share Condominium Owners LLC
Profit & Loss Prev Year Comparison
 January through August 2013

| | Jan - Aug 13 | Jan - Aug 12 | \$ Change |
|---|--------------|--------------|------------|
| Ordinary Income/Expense | | | |
| Income | | | |
| Other Income | | | |
| Cash Over/Short | 0.00 | -0.04 | 0.04 |
| Forfeited Deposits | 2,113.19 | 583.75 | 1,529.44 |
| Guest Phone Revenue | 850.08 | 546.40 | 303.68 |
| Interest Income | 284.42 | 475.02 | -190.60 |
| RRS/Willows Phone Revenue | 10,400.00 | 10,400.00 | 0.00 |
| Vendors Fees | 490.02 | 493.34 | -3.32 |
| Total Other Income | 14,137.71 | 12,498.47 | 1,639.24 |
| Owners Revenue | | | |
| Room Revenue/Long Term | 41,886.81 | 128,121.96 | -86,235.15 |
| Room Revenue/Short Term | 431,235.45 | 430,853.90 | 381.55 |
| Total Owners Revenue | 473,122.26 | 558,975.86 | -85,853.60 |
| Total Income | 487,259.97 | 571,474.33 | -84,214.36 |
| Gross Profit | 487,259.97 | 571,474.33 | -84,214.36 |
| Expense | | | |
| Building Expenses | | | |
| Electricity | 5,629.63 | 6,151.25 | -521.62 |
| Gas | 108.28 | 0.00 | 108.28 |
| General Maintenance | 376.89 | 3,271.98 | -2,895.09 |
| Plumbing & Electrical | 1,607.35 | 1,817.43 | -210.08 |
| Total Building Expenses | 7,722.15 | 11,240.66 | -3,518.51 |
| Employee Allocation | | | |
| Front Desk | 16,784.87 | 14,894.95 | 1,889.92 |
| Housekeepers/Housemen | 103,412.80 | 91,538.96 | 11,873.84 |
| Managerial | 54,868.89 | 61,480.13 | -6,611.24 |
| Total Employee Allocation | 175,066.56 | 167,914.04 | 7,152.52 |
| General & Administrative | | | |
| Amortization Expense | 1,656.00 | 1,656.00 | 0.00 |
| Annual Compilation | 8,600.00 | 6,880.00 | 1,720.00 |
| Association Meeting | 4,077.65 | 2,605.97 | 1,471.68 |
| Auto Mileage | 0.00 | 0.00 | 0.00 |
| Bank Service Charges | 139.62 | 7.00 | 132.62 |
| Communications | 7,946.77 | 7,732.96 | 213.81 |
| Computer Expenditures | 2,885.63 | 1,320.40 | 1,565.23 |
| Credit Card Fees | 9,626.05 | 10,680.33 | -1,054.28 |
| Insurance | 3,993.92 | 5,075.62 | -1,081.70 |
| Licenses & Permits | 10.00 | 0.00 | 10.00 |
| Membership Fees | 510.00 | 399.00 | 111.00 |
| Office Supplies & Equipment | 2,418.17 | 1,989.68 | 428.49 |
| Postage | 176.65 | 144.86 | 31.79 |
| Property Tax Expense | 46,961.12 | 46,921.12 | 40.00 |
| Total General & Administrative | 89,001.58 | 85,412.94 | 3,588.64 |
| Guests | | | |
| Breakfast | 1,967.76 | 3,017.58 | -1,049.82 |
| Cable Television | 9,503.21 | 8,820.57 | 682.64 |
| Cleaning Supplies & Consumables | 5,939.07 | 9,162.60 | -3,223.53 |
| Common Area | 2,636.20 | 2,341.18 | 295.02 |
| Concierge Pass Through | 313.42 | 1,560.44 | -1,247.02 |
| Laundry | 9,676.63 | 9,529.13 | 147.50 |
| Linen Replacement | 111.70 | 1,277.13 | -1,165.43 |
| Room Accessories | 1,498.75 | 10,301.71 | -8,802.96 |
| Total Guests | 31,646.74 | 46,010.34 | -14,363.60 |
| HOA Contribution | 112,113.57 | 112,113.57 | 0.00 |
| HOA Contribution - EHU | 2,235.39 | 2,235.39 | 0.00 |
| Marketing | | | |
| Advertising | 7,066.45 | 4,342.33 | 2,724.12 |

09/09/13

Willows Quarter Share Condominium Owners LLC
Profit & Loss Prev Year Comparison
January through August 2013

| | <u>Jan - Aug 13</u> | <u>Jan - Aug 12</u> | <u>\$ Change</u> |
|-----------------------------|---------------------------|--------------------------|---------------------------|
| Dues & Subscriptions | 337.50 | 257.50 | 80.00 |
| Promotional | 43.35 | 0.00 | 43.35 |
| Travel Agent Commission | 7,823.80 | 6,224.42 | 1,599.38 |
| Total Marketing | <u>15,271.10</u> | <u>10,824.25</u> | <u>4,446.85</u> |
| Total Expense | <u>433,057.09</u> | <u>435,751.19</u> | <u>-2,694.10</u> |
| Net Ordinary Income | 54,202.88 | 135,723.14 | -81,520.26 |
| Other Income/Expense | | | |
| Other Expense | | | |
| Depreciation Expense | 176,518.67 | 146,057.33 | 30,461.34 |
| Total Other Expense | <u>176,518.67</u> | <u>146,057.33</u> | <u>30,461.34</u> |
| Net Other Income | <u>-176,518.67</u> | <u>-146,057.33</u> | <u>-30,461.34</u> |
| Net Income | <u><u>-122,315.79</u></u> | <u><u>-10,334.19</u></u> | <u><u>-111,981.60</u></u> |

Willows Management
Profit & Loss Prev Year Comparison
 January through August 2013

| | Jan - Aug 13 | Jan - Aug 12 | \$ Change |
|----------------------------------|-------------------|-------------------|-------------------|
| Income | | | |
| Contractual Revenue | | | |
| RRS Front Desk Revenue | 22,000.00 | 22,000.00 | 0.00 |
| RRS Maid Service | 21,360.00 | 21,360.00 | 0.00 |
| RRS Management Service | 12,800.00 | 12,800.00 | 0.00 |
| Willows Front Desk Revenue | 44,000.00 | 44,000.00 | 0.00 |
| Willows Maid Service | 22,000.00 | 22,000.00 | 0.00 |
| Willows Management Service | 13,333.36 | 13,333.36 | 0.00 |
| Total Contractual Revenue | 135,493.36 | 135,493.36 | 0.00 |
| Employee Allocation | | | |
| Front Desk Allocation | 16,784.87 | 14,894.95 | 1,889.92 |
| Housekeeping Allocation | 103,412.80 | 91,538.96 | 11,873.84 |
| Managerial Allocation | 54,868.89 | 61,480.13 | -6,611.24 |
| Total Employee Allocation | 175,066.56 | 167,914.04 | 7,152.52 |
| Other Income | | | |
| Interest Income | 33.77 | 35.32 | -1.55 |
| RRS/Owner Maintenance | 9,102.50 | 8,966.11 | 136.39 |
| Vendors Fees | 481.47 | 503.40 | -21.93 |
| Total Other Income | 9,617.74 | 9,504.83 | 112.91 |
| Rental Revenues | | | |
| Forfeited Deposit | 2,385.00 | 0.00 | 2,385.00 |
| Maid Service Income | 21,907.50 | 17,485.00 | 4,422.50 |
| Management Fee Income | 182,003.22 | 193,808.11 | -11,804.89 |
| Total Rental Revenues | 206,295.72 | 211,293.11 | -4,997.39 |
| Total Income | 526,473.38 | 524,205.34 | 2,268.04 |
| Expense | | | |
| Accounting | 3,640.00 | 3,780.00 | -140.00 |
| Bank Charges | 28.00 | 55.18 | -27.18 |
| Breakfast | 626.63 | 626.81 | -0.18 |
| Cash Over/Short | 0.60 | 0.00 | 0.60 |
| Concierge Pass Through | 966.56 | 60.64 | 905.92 |
| Credit Card Fees | 9,545.60 | 12,335.15 | -2,789.55 |
| Dry Cleaning Charges | 345.19 | 270.58 | 74.61 |
| Dues & Subscriptions | 987.50 | 257.50 | 730.00 |
| General Maintenance | 0.00 | 372.00 | -372.00 |
| Group Medical Insurance | 90,170.75 | 83,463.69 | 6,707.06 |
| Insurance Expense | 400.00 | 400.00 | 0.00 |
| Laundry | 3,661.80 | 4,099.78 | -437.98 |
| Licenses & Permits | 10.00 | 0.00 | 10.00 |
| Linen Replacement | 0.00 | 2,190.21 | -2,190.21 |
| Payroll - Wages | 385,451.68 | 421,868.71 | -36,417.03 |
| Postage | 107.05 | 143.93 | -36.88 |
| Promotion | 2,841.56 | 3,461.25 | -619.69 |
| Supplies | 6,816.18 | 4,718.16 | 2,098.02 |
| Travel Agent Commission | 18,507.25 | 7,589.70 | 10,917.55 |
| Uniforms | 0.00 | 550.92 | -550.92 |
| Worker Compensation Insurance | 12,242.00 | 6,139.00 | 6,103.00 |
| Total Expense | 536,348.35 | 552,383.21 | -16,034.86 |
| Net Income | -9,874.97 | -28,177.87 | 18,302.90 |