

**MOUNTAINSIDE RESORT AT STOWE
ANNUAL MEETING MINUTES**

October 21, 2017

I. WELCOME AND INTRODUCTIONS

President Robert Tomassetti welcomed everyone in attendance and introduced the following persons:

Board of Directors:

Robert Tomassetti	Gene Brown
Leslie Eiser	Inge Brown
Judith Waldert	Stephen Edwards
William Wright	

Absent:

Ken Wright

Vacation Resorts International and Resort Management:

Joel Bourassa, Director of Resorts/VRI
Ashley Getty, General Manager
Tiffany Smith, Front Desk Manager

Other:

Patricia Murphy, RCI Director of Business Development

II. REPORT ON QUORUM

The owners present at the meeting introduced themselves. Ashley Getty announced that of the 55 wholly owned units at the resort, 17 owners were personally present and 9 were present by proxy. Of the 33 timeshare units at the resort, 3 designated voters were present in person and 4 were present by proxy. Quorum was met.

III. CALL MEETING TO ORDER

Robert Tomassetti called the meeting to order at 10:10 a.m.

IV. APPROVAL OF THE AGENDA

MOTION: Upon motion duly made and seconded, the agenda was approved unanimously as presented.

V. APPROVAL OF 2016 ANNUAL MEETING MINUTES

MOTION: Upon motion duly made and seconded, the reading of the minutes of the October 22, 2016 annual meeting was waived and the minutes were unanimously approved as presented.

VI. PRESIDENT'S REPORT

Robert Tomassetti reported that Board President Veronique Marcus resigned in August and that Board Member Ken Wright opted not to run for the Board again. Robert briefly highlighted the agenda items and introduced Joel Bourassa from VRI and guest speaker Patricia Murphy from RCI.

VII. MANAGER'S UPDATE

Ashley Getty reported on the following:

Electronic Communications

Ashley encouraged owners to sign up on www.mountainsideresort.com to learn about resort and local happenings, timeshare and exchange program updates and general resort news and updates.

Completed Capital Projects

- Upgrade of wireless internet.
- Landscaping at Cottage Road entrance.
- Laundry room upgrade.
- Annual fire extinguisher inspections completed.
- Selected deck and window replacement (ongoing).
- Continued prep and painting of outdoor areas, decks and windows.
- Road work will continue this fall.
- New LED lights in the pool and locker room areas.

Timeshare upgrades using piecemeal approach (3 completed)

- Kitchens: cupboards, countertops, appliances, and backsplash replacement.
- Bathrooms: mirrors, towel bars, medicine cabinets, etc.
- Fireplace replacement.
- Two more renovations still planned for 2017.

Insurance Claims

There were two large insurance claims in 2017, a fire in unit K103 and water damage in unit H101. These significant claims could lead to increased premiums in 2018 and bids will be solicited for the 2018 coverage.

VIII. COMMITTEE UPDATES

A. Guest Experience

Judie Waldert stated that the goal of the Guest Experience Committee was to consolidate and identify trends to enable the Board and General Manager to use the results to prioritize decisions. Judie explained her Comment Card 12-month tracking system comparing 2016 and 2017 results. She shared positive and negative guest comments. The most common negative comments centered around too many stairs, uncomfortable beds, short office hours and the need for timeshare unit upgrades.

The positive comments included:

- Staff was friendly and helpful.
- Front desk was friendly and helpful and listened patiently.
- Staff helped us get our car started on a cold day.
- Maintenance responded quickly and left a note stating what was completed.
- Unit was quiet and we had a lovely view.
- Great staff.
- Thoroughly enjoyed our stay at Stowe. Would come back in a heartbeat.

B. Building and Grounds

Steve Edwards reported that he and Bill Wright were co-chairs of this Committee with the following objectives:

- Monitor the exterior of the buildings and common areas.
- Develop both long and short-term plans for maintenance of the resort.
- Identify maintenance issues likely to arise in the next 5-10 years.
- Begin to establish a capital reserve fund for project implementation.

Observations and Success Stories

- First time in many years this committee has been active.
- Created an inventory of issues that need attention.
- Currently concentrating on high visibility, low effort issues.
- Many items have already been completed as follows:
 - Railings and fences painted.
 - Entryways and siding power washed.
 - Several window sills have been replaced, decks and roofs beneath them will be replaced as needed.

Future Plans

- Continue documenting outstanding maintenance requirements such as roofs, windows, decks and painting.
- Track significant items closely including budgets and schedules and getting outside contractors engaged early.
- Conduct more frequent resort walk-arounds with property management and decide if projects be completed in-house or with outside contractors.
- Continued focus on building degradation.
- Ensure regular power washing, cleaning and painting.

Owner's Comments

An owner in attendance suggested that the resort host a work weekend using owner volunteers. Several owners had questions about what they were able to repair themselves inside their units. Both of those items will be taken up at future Board meetings. Owners were also encouraged to report to management any items in their units that need repair.

C. Finance (Non-Budget Items)

Monthly Financials

Joel Bourassa reported on the month-ending August 2017 financial statements. Included in the review were the consolidated income statements and cash flow analysis. He stated that the monthly financial reports are just a snapshot in time and that the month-to-month reports can vary considerably due to timing and circumstances.

Finance Committee

Treasurer Gene Brown stated that the Finance Committee was formed to primarily provide financial oversight for the organization and assist the President, General Manager and Board with budgeting and financial planning, financial reporting and ensuring adherence with internal controls and accountability policies.

Timeshare

Gene presented a timeshare status report highlighting the following:

- There are 1,686 weeks currently in the timeshare program.
- 1,270 weeks were invoiced in 2017.
- There is a 17% bad debt allowance (216).
- There are 485 association owned weeks through August 2017.
- 220 weeks are delinquent.
- 1,212 weeks to be invoiced in 2018.
- Projecting a 15% bad debt allowance for 2018 (182).
- Timeshare erosion due to an aging demographic, competition, and desire for multiple amenities all contribute to a decline in unit sales from 85% in 2008 to 72% likely in 2018.

Timeshare Fee Comparison

Gene presented a slide depicting the national maintenance fee averages and stated that Mountainside is well below the national average and represents just a 2.5% average annual increase.

Timeshare Inhibitors

- Dollars and speed of execution
 - Upgrades take money.
 - Unit downtime often required for upgrades.
 - Upgrades consume maintenance staff time.
- Market
 - Timeshare sales have been stagnant in our niche market.
 - Sales and rentals are dependent on the “product”.
- Rental Revenue Limitations
 - Saturday-Saturday check-in/checkout.
 - External commission costs.

Timeshare – Mitigating the impact

Ashley Getty explained the various supplemental streams of rental income.

- Rental – Association owned and Delinquent weeks
 - Bookings.com, Expedia, Stowe Area Association, Direct bookings.
 - Short term rentals \$12,351 (after commissions) Approximately 159 nights.
 - Long term rentals \$14,524 (studios).
- Global Connections Affiliation
 - 149 weeks (21% of association owned and delinquent weeks).
 - Revenue \$63,493 after commissions.
- Currently Exploring
 - Vacation Clubs.
 - Airbnb (new pilot).

Total equals \$90,269 which is the equivalent to 116 weeks of maintenance fees.

Rental Program

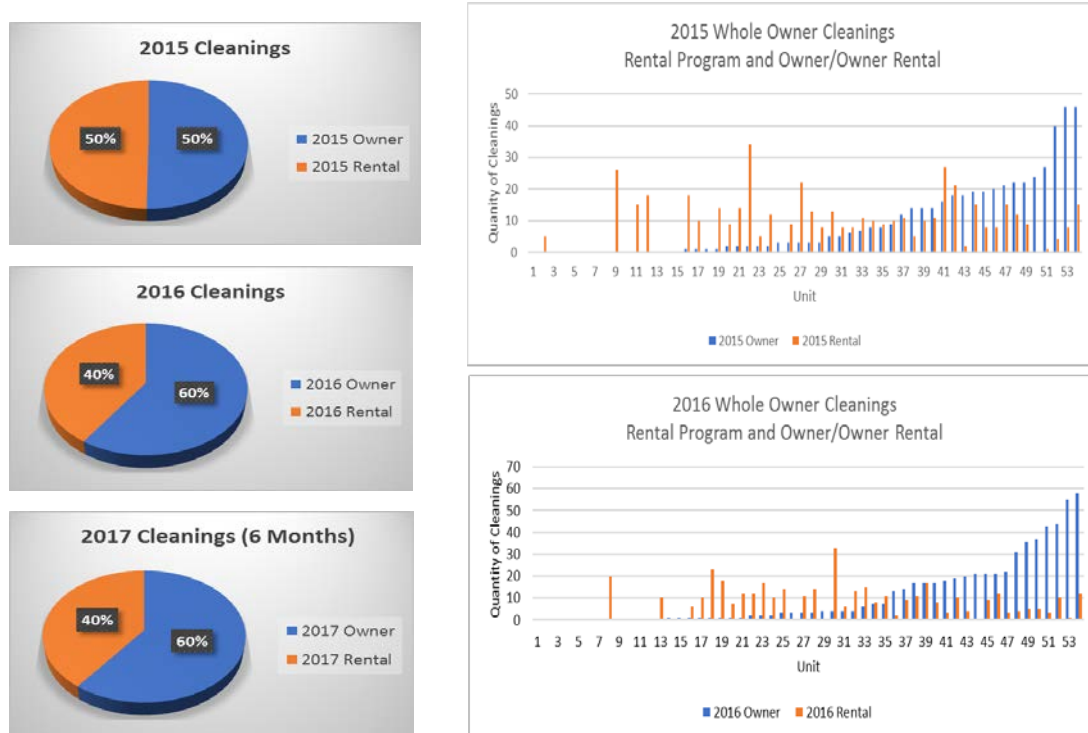
Gene Brown talked about rental revenue, commissions and fees and highlighted the following:

- Occupancy
 - Difficult to measure given the varied programs.
 - Cleaning is the resort's proxy to occupancy.
 - Occupancy is the basis for cost allocation.
- Rental Trends
 - Increases fees and travel agency commissions.
 - Competition on rates and dynamic nature of rates.
 - Success of owners doing direct rentals.
- Commissions
 - Up to 2003 commissions were at 24%, increased to 28% in 2004 and remained there until 2017. The commission will be at 32% in 2018.
- Cleaning Fees History/Changes
 - Charged to renters through 2007.
 - Changed to be included in the rate from 2008-2017.
 - Changed to be charged to renters again starting in 2018.

Impact of Increased Fees

Cleaning Fees: Gene Brown explained that there has been a drastic change in who is making use of the resort supplied cleaning services. His slide showed that in 2015 the owner and rental cleanings were split evenly at 50% but by 2017 the owner cleanings accounted for 60% and the rental cleanings accounted for 40%. This means more and more owners are renting outside of the resort's rental program but still using the resort cleaning services. See chart below.

CLEANING USE DISTRIBUTION



Gene Brown followed up with tables that depicted the impact of commissions and fees using a two bedroom/2 night stay as an example comparing 2017 to proposed 2018 rates. She demonstrated that owners can actually make more revenue by the resort charging guests for the cleaning fees, rather than the owners. This holds true, with the nightly rates remaining the same and the commission increases to 32%. See chart below:

IMPACT OF COMMISSIONS AND FEES

Two Bedroom/ Minimum 2 Night Stay
Before 2018 Changes
28%

Seasonal Rates	Nights	Total	Owner Pays Cleaning	Net	Commission Expense	Due to Owner	Compared to 2018
\$ 190.00	2	\$ 380.00	\$ 72.00	\$ 308.00	\$ 86.24	\$ 221.76	(\$36.64)
\$ 230.00	2	\$ 460.00	\$ 72.00	\$ 388.00	\$ 108.64	\$ 279.36	(\$33.44)
\$ 275.00	2	\$ 550.00	\$ 72.00	\$ 478.00	\$ 133.84	\$ 344.16	(\$29.84)
\$ 310.00	2	\$ 620.00	\$ 72.00	\$ 548.00	\$ 153.44	\$ 394.56	(\$27.04)
\$ 475.00	2	\$ 950.00	\$ 72.00	\$ 878.00	\$ 245.84	\$ 632.16	(\$13.84)

Two Bedroom/ Minimum 2 Night Stay
After 2018 Changes
32%

Seasonal Rates	Nights	Total	Renter Pays Cleaning	Net	Commission Expense	Due to Owner	Compared to 2017
\$ 190.00	2	\$ 380.00	\$ 95.00	\$ 380.00	\$ 121.60	\$ 258.40	\$36.64
\$ 230.00	2	\$ 460.00	\$ 95.00	\$ 460.00	\$ 147.20	\$ 312.80	\$33.44
\$ 275.00	2	\$ 550.00	\$ 95.00	\$ 550.00	\$ 176.00	\$ 374.00	\$29.84
\$ 310.00	2	\$ 620.00	\$ 95.00	\$ 620.00	\$ 198.40	\$ 421.60	\$27.04
\$ 475.00	2	\$ 950.00	\$ 95.00	\$ 950.00	\$ 304.00	\$ 646.00	\$13.84

Housekeeping Overview: Ashley Getty explained a proposed cleaning fee change effective January 1, 2018. She said that the projected housekeeping cost for 2018 is \$188,990 which included linen and laundry, supplies, uniforms and labor.

A one-bedroom unit will increase to \$70; a two-bedroom will increase to \$95 and 3-4-bedroom units will increase to \$125. However, fees will be billed to the renter for all rentals at the resort starting on January 1, 2018.

She also explained the many details involved in cleaning beyond just the room cleaning itself.

IX. RCI PRESENTATION

Patricia Murphy, RCI's Director of Business Development, discussed the history of their exchange company now with 4,200 resorts and 3.6 million members through which they do 1.8 transactions per year in 51 offices around the world.

Through June 20, 2017 they have sent 648,000 members on vacation. She noted that now 52% Booking Vacations are completed online at RCI.com. Patricia also discussed trading power and giving more transparency for members. She said the earlier member weeks are deposited, the more trading power that can be earned.

X. 2018 ANNUAL BUDGET REVIEW AND VOTE

Gene Brown discussed the budget process and noted that the Board's new auditor, McSoley, McCoy and Company found no material findings in 2016. He stated that the 2018 proposed budget started with a General Manager review of the budget actuals and ended with a proposed budget which the Treasurer then reviewed and suggested changes. The Board then reviewed the budget and the 2018 budget was approved by the Board on September 9, 2017.

2018 Budget Areas of Focus

- Cost of unit cleaning continues to exceed revenue.
- Revenue and expense allocation adjustments.
 - Reflecting all gross rental revenue.
 - Discreetly reflecting all commission expenses.
 - Increase in Travel Agency fees.
 - Rental Program Commissions.
 - Rental revenue slowing down.

Payroll Expense

- Overall the 2018 budget reflects a \$43,000 increase from 2017. This includes a \$33,000 increased housekeeping payroll based on historical actuals and small increases in each department.

Cleaning Challenges

- Property is challenging for staff to navigate.
- Not comparable to a standard hotel room cleaning.
- Weather conditions make it difficult to move around from building to building.
- Competition – many options for staff locally. Wages are comparable throughout Stowe.

Taxes and Benefits Expense

- Proposed increase of \$16,824.
- Payroll tax increase is \$4,248 due to wage increases.
- Medical insurance increase is \$10,913 (adding dental).

Operating Expense

- Slight reduction of \$6,180.

Administrative and General Expense

- Proposed decrease of \$46,486 with legal expenses decreased by \$12,500 and various other decreases in other line items.

Revenue

- Proposed 2018 budget for revenue is \$1,795,410 which is a \$32,617 decrease from 2016 attributed to few billable timeshare weeks and a reduction in budgeted rental revenues.

Annual Fees

- Timeshare assessments: No increase in 2018.
- Whole owner assessments: 2% increase in 2018.

Operating Fund Balance

Gene Brown presented an updated chart showing operating fund balances at a positive \$72,639 in 2005 with a drop to a negative \$218,853 in 2010 (due to a MSR 2010 cost overrun) and climbed back up to a negative \$92,765 in 2016. This represents a slow but steady improvement without having to levy a special assessment.

MOTION: Upon motion duly made and seconded, the 2018 Budget was approved unanimously as presented.

XI. NOMINATION/ELECTION OF BOARD MEMBERS

Robert Tomassetti asked if there were any nominations from the floor.

MOTION: Whole owner Mark Vandenberg was duly nominated and there was a second from the floor and approved unanimously.

MOTION: Whole owner Phil Corrinet was duly nominated and there was a second from the floor and approved unanimously.

The following timeshare owners were on the ballot.

MOTION: Timeshare owner Judie Waldert was duly nominated with a second and approved unanimously.

MOTION: Timeshare owner Jim LaPlante was duly nominated with second and approved unanimously.

The candidates were asked by Robert Tomassetti to speak about their credentials and interest in running for the vacancies.

The two timeshare candidates Judy Waldert and Jim LaPlante were elected and whole owner Phil Corrinet was elected to the open whole owner seat.

XII. OLD BUSINESS

Jack McIvor stated that owners are allowed to participate in meetings, but telephonic connections are poor.

Owner Anne Corrinet read a request from owner Beth Grob that requested that during the summer months management contract out for routine maintenance of grounds, washing of buildings, painting, landscaping, etc. to keep the resort looking good and to prevent damage that may in the long run be very costly. This would, in turn, free up the maintenance staff to keep up on their everyday tasks.

Bob Tomassetti encouraged owners to give suggestions whenever they can. Bill Wright said all committees are open to any owners wishing to participate.

XIII. NEW BUSINESS

An owner questioned getting an owner roster. Ashley Getty stated that due to privacy concerns an owner roster cannot be provided.

XIV. ADJOURNMENT

MOTION: A motion was duly made and seconded to adjourn the meeting at 1:20 p.m. and approved unanimously.

Leslie Eiser, Secretary

Date

JB/jmf

mrs: 2017hoa