

MINUTES OF
BOARD OF DIRECTORS' MEETING OF
FIRST WESTWIND AT VAIL CONDOMINIUMS ASSOCIATION, INC.

February 24, 2003

The meeting of the Board of Directors of First Westwind at Vail Condominiums Association, Inc., a Colorado corporation, was held by teleconference on Monday, the 24th day of February 2003 at 4 p.m. M.S.T., pursuant to notice to all Directors.

Board members present by teleconference were Jim Beedie, Sol Gordon, Charles Wachendorfer, Walter Yeates, and Jim Zetler. Also attending was Jeff Jacobs and Steve McDonald of Vail Management, Inc. (VMI).

Association President Jim Beedie acted as Chairman of the meeting and Association Secretary Jim Zetler acted as Secretary. Mr. Beedie called the meeting to order and determined a quorum was present and the meeting competent to proceed.

Jim Beedie reviewed the agenda, which had been forwarded to all directors. He commented that he had received nothing but good reports from owners regarding the change to Vail Management, Inc. Other Board members confirmed this. No complaints were noted. Sol Gordon advised that we had added a terrorist endorsement to our insurance policy for \$336, which would cover any damage or disruption to the building due to terrorist attack or activities.

Jim Beedie then reviewed the first five months' financials (copy of which is attached and made a part of these minutes). It was noted that there may be an insurance refund coming from Destination Resort Management (DRM). Accounting charges are considerably above budget due to the extra work required during the changeover from DRM to VMI. In general, the building is

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on budget. Significant unknown factors are the price of natural gas, which could go up significantly due to the international situation, and the amount of money required for boiler maintenance. Snow removal is on a fixed contract regardless of the number of times the lot is plowed. The only extras being the use of front-end loaders for extremely heavy snow fall.

Walter Yeates inquired as to the smoothness of the accounting transition. Steve McDonald said that the transition went well for the most part and DRM was cooperative.

Discussion then moved to the monthly budget for the 12 months ending July 31, 2002 (copy of which is attached and made a part of these minutes). Jim Beedie noted that the budgeted management fees had been adjusted to reflect the VMI rate for the entire year. We had charges from DRM submitted after the turnover, which Jim Beedie will discuss later.

It was noted that Major Maintenance, which includes boilers (unknown figure) and the Association's share of the website (approximately \$6,000), are budgeted heavier as the year progresses since many of these items are decided by the Board based on fund availability.

Extensive discussion then took place regarding the yearend surpluses and reserve accounts. Jim Beedie stated that at the Owners' Meeting a surplus of approximately \$25,000 had been predicted. In discussions at the Owners' Meeting, the owners requested that this money be used to complete various projects to improve the appearance and quality of the building at the

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Board's discretion. Jim Beedie proposed that the charges received from DRM (received after the close of the fiscal year) be charged against this figure, as well as some prior fiscal year expenses; Owners' Meeting, courtyard doors, remodeling of Unit #300, and the garage, insurance claim for Unit #109, and windowsill scraping and painting. These expenses total \$24,855.20, leaving a balance of \$11,756.07, which would be added to our reserves. Jim Beedie stated his preference was to handle these expenses in this manner as opposed to charging them to major maintenance in order to keep Major Maintenance funds available for emergencies and possible significant gas price increases. Savings on the Major Maintenance fund for the current fiscal year, if any, would then go into the reserves.

Walter Yeates requested that the full schedule with the 2001/2002 reserve account entries dealing with proposed adjustments to the reserve account and the three notes that accompanied them be attached to the minutes. Walter Yeates disagreed with the proposal due to paragraph 3 on the proposal schedule. He asked the Board to remove the proposal from the agenda and requested that the proposal be taken up at the next Owners' Meeting. Jim Beedie stated that this type of thing has been done in the past and that the net cash position of the Association would not change. This was strictly an accounting procedure. The Board decided to proceed with the proposal.

Walter was asked to explain his position. Walter stated that the garage remodel, unit 300 remodel, and all the other items in paragraph 3 of

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the proposal should be expensed to the 2003 major maintenance account as per the budget, rather than being charged to the Association's equity and the reserve/replacement fund because:

- (a) Walter was in the process of reconciling the auditor's report for July 31, 2002, major maintenance and surplus accounts and DRM's year-end statement. (NOTE: The outside auditor's, Vail Management and Jim Beedie believe all accounts had been reconciled. The auditors would not have issued a report unless every thing was reconciled.)
- (b) Walter believes we have no emergency, necessary, or special expenditures to accommodate. The \$50,000 budgeted major maintenance and contingency reserve, with all 2003 projects we know of to date, is very underutilized. There is no financial reason to reduce our reserve fund. Jim Beedie doesn't believe we are reducing our reserve. At the last homeowner's meeting the owners were told that the then estimated revenue over expenses would be spent. The auditors report shows the approximately \$25,000 from the 01/02 fiscal year to be spent in fiscal year 02/03.
- (c) Walter believes the owners will probably be presented at the next meeting with the case for a new roof (\$150,000 plus). Jim Beedie stated that the owners know the roof will be done some time in the future. The owners voted a number of years ago to special assess for the roof.
- (d) Walter believes the Board does not normally, and has not in the past several years, reduced our reserve fund due to the next year's new, and therefore obviously unaccrued, maintenance projects. We expense them in that next year. We have used the reserve for special capital projects, such as the lobby. Jim Beedie doesn't believe we are using the surplus. The owners were told that the \$25,000 would be spent on various projects. The management company change didn't allow some of the work to be done until after July 31st. We have done this many times in the past. When we agree to spend money at the owners meeting the projects are almost never done before July 31 end of the fiscal year. The auditors report this year shows the \$25,000 of projects approved but not yet done. We have done this many times in the past.
- (e) Walter believes - Our plans and votes from recent years contemplated and budgeted for a buildup in our reserve over time, if all operating and maintenance expenses were met. We paid for a long list of maintenance projects, upgrades, engineering studies, etc., in 2002. We had a \$35,400 saving in utilities, and he would be very disappointed if we did not take advantage of this and build our

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- reserve. Jim Beedie believes we did build the reserve in fiscal 01/01. The owners were told that the \$25,000 would be spent.
- (f) Walter believes--There has been no proposal at any previous Board meeting that he has attended, or at the last Owners' Meeting, to deliberately reduce our equity/reserve fund prior to using all our budget assessments. Paragraph 3 in the proposal was never presented to the owners but should be. The garbage smell and overloaded bins which the owners complained about at the last Owners' Meeting were addressed very quickly by Jeff Jacobs who increased the frequency of our garbage pickups. This is reflected by an increase in trash removal. The new storage room and remodeling should be 2003 expenses. Jim Beedie believes the owners approved other projects.

Sol Gordon asked what procedures our Articles stated concerning utilizing our reserve. Jim Beedie stated that there were no procedures specified and that we have never had to utilize our reserve other than for special projects.

Jim Beedie then moved, Jim Zetler seconded, that the charges in the amount of \$24,855.20 be a prior fiscal year's expense as previously suggested. Motion passed with Walter Yeates voting against the motion.

Steve McDonald then gave a report concerning VMI's experience thus far with the Westwind. VMI felt that the transition had gone very well, and they were very pleased with the property. Steve felt that they had done a good job thus far, and the Board concurred. Rents are up approximately 10% on an end-of-winter basis with some winter bookings yet to come and summer as well. The valley as a whole is mixed. Retail sales tax revenues for the first quarter were down 12%. Some properties in Beaver Creek were down

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significantly from last year. March bookings look very strong. However, April is wide open. With Easter falling late, the Mexican and South American trade is down considerably. One problem is that a large number of day skiers from the Front Range spend very little money in the Valley. Starting April 5, Vail Associates is promoting a \$99 six-day ticket. The Board then requested that prior to the Owners' Meeting, VMI present to the Board a marketing plan for the coming year.

Sol Gordon then inquired concerning the status of the Lionshead Development Project. Steve reported that the conference center has been approved and funded and would be located to the west end of Lionshead west of the Marriott (at present Vail Associates' equipment site). Steve would not anticipate construction getting underway for two years. DRM has been very vocal in their opposition to an employee housing and transportation center to be located to the north of the Landmark and to the immediate west of the Westwind. DRM feels the traffic would be detrimental. It is a major development with the present stairs being replaced with an escalator. It was suggested that possibly the Town of Vail might be invited to give a brief presentation to the Westwind Board and management. It was also mentioned as to whether it might be advisable for the Westwind to retain legal counsel or a lobbyist concerning this matter.

Discussion then turned to the upcoming contract renewal. Walter Yeates inquired as to whether VMI preferred the present fixed fee system rather than

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labor charged as incurred similar to DRM's contract. Steve stated he preferred the fixed fee method for accounting simplification. The Board in general stated their feelings that they are in favor of extending the management contract. This will be discussed at the next Board meeting.

The meeting was adjourned by consensus at 5:30 p.m. M.S.T.

Jim Zetler, Secretary

APPROVED:

Jim Beedie, Chairman