

ANSWERS TO YOUR QUESTIONS - 2003 ANNUAL MEETING

We had questions submitted by the owners on the annual meeting RSVP form. These questions were answered at the annual meeting along with questions from the audience by Edward Niebauer, the Association's treasurer during the question and answer period. We present here the questions, answers and other comments that were discussed at the meeting. A few of the written questions were the same, so we paraphrased similar questions together.

We received 48 RSVP forms with compliments, questions and or comments. Thirty percent of the responses did not have questions, they complimented the Club, its staff, and the Board of Directors and committees.

Finance & Budget:

In sending out the budget, it would be helpful to have a column with the prior year actual revenue and expense.

The Club's declaration requires the Club to provide a budget to the owners. The proxy material is required to be mailed within 15 days of the close of the fiscal year. This is because the annual meeting must be held within 60 to 75 days after the fiscal year end. Therefore, actual year end numbers are not available to be sent with the proxy material. The budget is set approximately one month prior to the beginning of each new fiscal year through an extensive process so as to get the billing sent to the owners. Thus any financial data which could be sent in this time frame would be partial or incomplete. The actual numbers are presented at the annual owner's meeting and many of the financial slides presented at this meeting are included with this newsletter.

Why the variations in the following accounts:

Advertising & Promotion: We added new sections to our web site. Also, the Sales & Marketing committee did some direct mailings and added some magazines and newspaper placements in order to promote our Sandstone units for sale.

Data Processing: This expense category includes the fees from our timeshare software vendor. If we require any upgrades or changes to the system we have costs to pay.

Legal Fees: This estimate is based on how many units we anticipate will be foreclosed upon for non-payment of maintenance fees.

What is the rationale for no reserve for replacement and deferred maintenance fund?

As of 9/30/04, the reserves were approximately \$322,000. These reserves are unappropriated. We fund all remodeling and the majority of special projects from current operations.

Please explain bad debt expense in the budget.

Bad debt expense is an estimate made each year by the Board, of how much money in billed maintenance fees, taxes, interest, and late fees etc., will not be paid by the owners in that fiscal year. Generally it is not money lost forever. The vast majority of it is collected through late

payments, late fees, interest payments by owners and resale of foreclosed units. But it is collected in a later fiscal year. Accounting principles basically dictate that the Board estimate the number slightly higher each year so as to not be caught short of cash during that year. Each year the maintenance fees go up slightly due to inflation, and so does the estimate of that year's "bad debt". The estimate does not make the "bad debt" happen. Delinquent owners do.

Exchanges and Rental:

I want to switch to the Point Program. Is there a fee to do so? How many points would my unit be worth?

There is a fee to go into the trial points program. If you are interested in the Point's Program you can call 1-888-909-4633 to register for RCI Points. Sandstone's web site (sandstonecreekclub.com) has a question and answer section and the RCI point values for each SCC unit under FAQ's; RCI Points; RCI Points Report. The Q & A's are general, but should be helpful in evaluating if the program is of interest to you.

I would like to understand more about renting out my timeshare, when I am unable to use it.

The rental program run by the Club is a 65% - 35% split, with 65% of the net proceeds going to the owner. We use a priority system when renting out the unit. The first rental authorization received is priority one and so on. We send a rental authorization form out to the owners annually or you can download the form from our web site (sandstonecreekclub.com).

Will people in the RCI Point program pay extra maintenance fees if their week is split because it would require additional cleaning?

Per our agreement with RCI, the Club can charge a cleaning fee to exchange guests who stay less than one week.

Resales:

Would you please provide owners with information regarding resale of units?

Any Colorado licensed real estate agent can sell your property. The Club has a on-site sales office. Call the Club and ask for Linda Johnson, she can advise you on listing prices.

Would you please add a section on the Sandstone web site to list units for sale?

Presently we have a section for internal trading which is in the members only section, if we included for sale units the distribution would be too limited to be effective. If an owner wanted to advertise on our web site to avoid going through a licensed broker, it causes other problems. If people want to sell without going through a broker or title company, we know we will see future problems concerning legal titles. We spent about 8 years cleaning up those kind of problems and do not want to encourage them to return.

Miscellaneous:

What happens to our unit when ownership ends in 2029?

Ownership does not end in 2029. The association's condominium documents, which govern the way the association is run, contains section 37; Period of Unit Week Ownership. This section describes the estate for years created by the Declaration. In the year 2029 the estate for years could be converted to tenants in common by a vote of the membership. Only the way the owners hold title could change in 2029. If the ownership votes to continue the estate for years in the form of unit weeks, the period would be for 10 years and repeated at the end of each successive 10-year period.

I was told that the comment sheets are only given out on Saturday departures. Is this correct?

We put comment cards under all occupied unit doors on Thursday nights because most owners and guests check out on Saturday. We also have a Comment & Suggestion box located by the activities center in the back lobby which has a bin of blank comment cards. The front desk staff also has extra comment cards. It is very important for us to have the owners fill out a comment card so we know if we are meeting your expectations and if there are any maintenance or housekeeping items to correct.

I would like to see attempts to make the Welcome Party a "Get Acquainted" time. Perhaps name tags and table introductions could be a start.

We discussed ways to get guests to talk to each other at the Welcome parties. The activities director will try name tags and different table arrangements.

I was told I couldn't have more than 8 people stay in my loft unit. I want my family to come and sleep on the floor in their sleeping bags.

The maximum occupancy rules are established by the Vail Fire Department based on the number of "pillows" or beds in our condominiums. The Board of Directors mirrored the Vail Fire Department's occupancy rules when drafting the Sandstone Creek Club Rules and Regulations. Because of the Town of Vail's multi-condominium fire code regulations, we are unable to alter our maximum occupancy rules. In addition, exceeding the maximum occupancy causes more wear and tear on our units which costs the owners more money in replacement and repair costs. Because of fire safety concerns and additional wear and tear in the units, the Board of Directors has set a fine of \$100 per day per person over the maximum allowed occupancy.

Free internet usage time should be longer. I believe the honor system should be used to limit internet to business or personal e-mail not games for kids. Many owners work and need to send e-mail to customers or the office.

The Board of Directors decided to charge for telephone usage after 15 minutes because we had experienced heavy use of the telephone lines due mainly to internet use. Our options were to increase the number of commercial telephone lines (at a large cost) in order to keep up with demand or charge the user a use fee. After the use fee was put in place, we found this solution to be most satisfactory as single connections now generally last less than 15 minutes. Limited DSL internet service became available this fall and has been added to the Clubhouse lobby work stations for owner use in checking their e-mail and travel plans. We also have a network hub in

the lobby so owners with a laptop and a network interface card can hook into the hub using an ethernet or cat5 cable. There is no charge of this service, but we ask owners to limit their time to 15 minutes when using our work stations.

I think it is time for Sandstone to charge for additional kitchen supplies.

Sandstone, unlike most timeshare properties, has very high owner usage and we run the property based on this fact. The Board has not wanted to nickel and dime the ownership. The front desk notices when someone asks for too many supplies and we stop giving that individual supplies.

Why do we allow smoking in the units?

Each unit/ week is a deeded week and the units were sold with no restriction as to smoking. The Board is looking into the possibility of restricting smoking in the units.

We are delighted with the new railing and patio door for our unit.

We have received many many compliments on these two improvements.

Establish a policy to donate units to Sandstone.

The association is not in the business to own units. A person's options are exactly the same as for your own home. You can sell it, give it to someone, or let it go into delinquency. The last option however leads to foreclosure action against such individual.

Build the 4th building as we need "new blood".

The board does not disagree with your analysis that an additional number of owners would be beneficial to help pay the fixed costs. The property was zoned to have 4 condominium buildings and only 3 buildings have been built to date. The new building would attract new purchasers which many help our existing owners sell their units. However, the Board is not willing at this time to commit \$200,000 in pre-development costs to get the building designed and approved.

Is it possible to have scheduled van use during the summer months?

Since it is free to park in the parking structures during the summer, most people do not require bus service. For those owners who want a ride into the village or to the grocery store, the van runs "on request" in the summer from 8 am to 4:30 pm. We use our maintenance people to drive the van, so as long as we have a licensed driver on property, we are more than happy to drive the owners around.

It is possible to have a key drop on the front door? We could hold onto the key card until we were sure that we have everything and then drop card off.

We have a night auditor who can help owners get back into their unit.

Has anyone looked into the alternative to cable TV? \$12,600 seems a high price for TV.

We are currently paying \$16 per unit per month. The price for basic cable and satellite is similar however, we would have to run new co-axil cable in order to have satellite service. The cost to run new co-axil cable is around \$1 per foot and it is estimated we would need 40,000 feet. Our current cable has too many splits in the line.