

Annual Owner's Meeting

Saturday April 20, 2013

1:00pm

Richard Glomski-President

Any more ballots? Raise your hand and we will collect them...brief time. Ok, then the voting is closed and we will announce the winner at the end of the meeting. Then we will have a meeting immediately following this meeting downstairs and we will elect officers of our board. Now I will make an introduction of the board. To my left, I have Joe Jacobson who is the management team, Ann Bonneville-treasurer, Aaron Kabat-facilities, Vicky is our secretary...Vicky Anderson and to my right Andrew Farah-board member and we have Doug MacMillin who is leaving our board. He has done a great job for us but he isn't going to be going for the position anymore so we will have a new position. We appreciate what he did for us and everybody give him a hand. (clapping)

(whispering) Oh yeah, I am Richard Glomski, I am your president. I forgot that. (laughter) Now I know who I am too.

I attended the wine and cheese reception last night and saw a lot of you there. Got to talk to some of you there. It was a fun time. I think it was well worth it. We need some feedback on this. If you liked what you had, tell us. If you didn't, tell us and we will try to change it. Andrew was your president previously and I agree with quite a bit of what he had done so I am not really going to reiterate on what he has done but I think we have come a long way to increase the value of our ownership and we will have a report from Joe later on regarding where we are at with our buildings. I think we have a ways to go yet. We have things that need to be done and we will continue to work on that. We have accomplished Silver Status and we're heading toward Gold Crown. So we need to get our forms and fill them out and it will only add more value to your ownership. We are working on this very hard, so fill out your cards favorable and we will get there.

Our resale program fell a little short last year. There is hopefully some room for improvement in this. Joe is working on a new contract. So the resale program we are expecting to be better than last year. There are many reasons for this. One being the economy which I think is getting better and the other is the sales force which I think will be better too. Joe will also comment on this later.

I would like to call on Aaron to give his report on facilities.

Aaron Kabat

Thank you Richard. Good Afternoon everyone (people saying "good afternoon"). Good to see all of you. We have a good turn out today. First, I hope you all had a good time last night. We upped our efforts a little bit with our package this year, so like Richard said if you have any comments, we would enjoy

hearing them. We do this all for you, so if there is anything we can add or change to make it better, please let us know. Today after our meeting we will be meeting in the Crystal Room and we will be having a light lunch for all of you. Most likely it will be around 3 O'clock, but if the meeting finishes early we will try to get the food out as soon as we can after that. Then starting tonight, we would like to start a new tradition for all of you and have entertainment. Tonight we will be having dueling pianos right back here in this room. Now if this is the first you are hearing this or you're interested in more tickets, let myself or Vicky or Kris (who is taking the pictures in the back of the room), and we can get you set up with more tickets.

A few notes about some things going on here at the resort for the golf fans out there, we have new pricing for golf. Our pricing has been a little complicated in the past, so this year what we are going to do is give everyone \$5.00 off of the posted rates. Now this doesn't include any discounts or other coupons that might be due to other promotions that are happening. But \$5.00 off any rate be it spring, summer or fall and that is also applied to any guest that you bring along with you as well. We are also going to start an owner's golf time. This time will be 2 O'clock on Sundays and will run through the rest of the afternoon. It will be \$10.00 for 9 holes per person and \$15.00 for 18 holes per person. Now again this starts at 2 O'clock every Sunday. You're welcome to bring as many guests and friends as you would like to. Keep in mind if you need carts or rental clubs, we would appreciate a call ahead of time just to make sure we can accommodate your needs. If you have any further questions about that, feel free to call Josh, he's our head golf professional down at the golf shop.

The Owner's Golf Outing will be held again the last Saturday in September, which is September 28<sup>th</sup>. I see a lot of familiar faces here that have played before, but we would love to have some new faces in that group as well. So if you are an avid golfer or a novice and just want to come out and have a good time, mark your calendar for September 28<sup>th</sup>. It will be \$55.00 per person and that will include 18 holes of golf with cart, lunch, prizes for every participant and a ton of fun as you would imagine.

Another fun thing we are looking forward to - in November we are going to start an Owner's Appreciation Weekend. So if you are available, mark your calendar for November 23<sup>rd</sup>. There will be a lot of different things going on that we are developing at the moment, so check your calendars and keep your eyes peeled. We will be posting things to the Foxtales. We will be posting information to the website - and with that please note that all information concerning the Owner's Association can be found at [www.foxhillsresort.com](http://www.foxhillsresort.com) and in the top right corner there is a logo that says Fox Hills Owner's Association. If you click on that, most of our general information, information about events, special discounts and promotions specifically for you can all be found in that area.

Lastly, we are going to give away a free week today for the 2014 season. Everyone it seems have found the sheet of paper that have a blank for your name and e-mail address on your table. Is there anyone who doesn't have one? In the back there, Kris, if you want to find something they can write on. We want to make sure that everyone has a chance here. If you don't mind filling those out, Kris and John will come around during the course of the meeting and we will get you entered for that drawing and we will pick the winner at the end. So somebody is going to go home with an extra week. (Question from audience) "If you don't have e-mail?...." (Aaron)- Oh, if you don't have e-mail, put down your phone

number so we can contact you or you can leave it blank. (Joe Jacobson) or their street address because some of them aren't current. (Aaron) or your street address. With that, thank you all for coming out this weekend. We really hope you enjoy yourself. If there is anything myself or my staff can help you with, please be sure to let us know. We really like having you guys around and this is a fun weekend for us. Enjoy yourselves and we look forward to lunch a little later today and dueling pianos tonight. (clapping)

(Richard) Thank you Aaron. He's always got some good tips for us. I would like to tell you 6 items that I like to see happen in the next two years. One of them is to improve the value of the ownership. The second thing is try to get a resale program, if possible. We're working on that. We're working on it hard. The second thing is get Gold Crown status. We want to try and accomplish this. Keep the grounds up, keep it looking nice, do repairs as required, maintain a low maintenance fees. I am not saying we aren't going to have any increases down the road. It's very possible with costs the way they are, but at this present time, there will be no increase in dues. We are doing fine. You'll hear some of the reports later on so this is where we are at right now. We'd like to keep this in the future as close to zero as we can and we'll work on this. We also want to start a reserve fund so when some unexpected things come up we can fall back on the reserve fund rather than assessing our members. So these are the points we are trying to take care of and we are going to work at accomplishing this. The other is, I would like to have increase in winter activities that we have. So if anyone has any suggestions or whatever, please bring them up to us or let us know and we'll consider them. If it is something we can do, we will do; but if we can't well, then we won't. But we will try to get some winter activities going here if we can so we can encourage people to come here in the off season more than when it's just warm out and golf.

So now I would like to present Joe here. He's got a couple of reports for us and Joe.

(Joe) Hello! (audience-hello, rumbling) (Joe) I guess I got a little too close to that microphone (laughter). Ok, as Richard said the board went through their analysis that they put together their report and decided that there was no dues increase needed, which I think is a great thing.

If you go to the financial report on the page behind your agenda, I'm just going to go through highlights. I'm not going to be going through it line by line. You can ask questions later or during the question and answer. If you go down to total revenue at the bottom of the first revenue section, you'll notice the difference between 2012 and 2011. That's basically because of the special assessment that was done in 2011. You see there was \$406,000 one year and \$50 in '12. If you go to wages, top line in expenses, you'll see that wages are down again. Bad debts about the 6<sup>th</sup> line down are down. That would be like when we have to take units back because they were behind on dues or went bankrupt and so forth. If you go to the top of the second page electric, gas. We talked about that last year. We were down a good amount of money. I think a lot of it has to do with improvements we made. The energy efficiency um, we did attribute some of it to that warm winter of '11 and into the spring of '12, but we all know we had a lot of air conditioning last summer and it was extremely hot and we had an awful cold fall so we're down substantially again even though we haven't had that mild winter. It's got to be these improvements we've been making which the board and we, as the management company, with a lot of input from you the owners, we got a lot of good suggestions and it seems to be working well. If you get down to the very bottom you'll see we've got a total operating loss, um, you got to remember in there is

a \$130,000 of depreciation which is not cash. That's for taxes but it is not actual cash expense. Then you have our renovations expense was up \$56,000 and, of course, we have the \$454,000 less in revenue when we are comparing to the previous year for that special assessment. So, all in all, on a cash basis, we're not negative when you take out the non-cash items, the bad debts and the depreciation.

If you go to the very back page on the cash budget and you go to the bottom you will see the \$25,000 income loss that is at this time what the board is planning to do for 2013 to put in a reserve fund. We're still working on that plan. I've been uh the management company has been asked by the board to put together a 5 year plan for improvements. Since the original 4 year plan we told you about 3 years ago to renovate the buildings is basically done, it will be completed within the next month or so. Now we are looking at a long term plan. What can go in reserves? What still can be done? We all know there's things...there's asphalt work that needs to be done, pool floor, things like that but we're going to put together a long term plan to get together with your board and plan to not only take every step we can to do this under the current dues structure but to get the work done and put some reserves away so hopefully we won't ever have to do a special assessment again.

When we get into what was mentioned about RCI and Gold Crown status we presently... is it 5 categories Vicky? 5 categories that we need for Gold Crown? (Vicky-yes) There's more categories than 5 in our RCI report but there is only 5 that count - that they grade us on for that. We presently are above Gold Crown status in 3 of the 5 categories and right on Gold Crown status in 2. That period runs from September 1- August 31<sup>st</sup>. So as long as we can hold this out for the next 4- 5 months we will have Gold Crown status. We're doing our darnedest to stay there. Silver Crown has been the best we've done since I have been affiliated here and we're crushing that at this point. Hopefully we can keep it up there.

Richard talked about the resales and the sales in general. Two years ago we brought a company in called Compass Resort. They did a good job in their initial year. They sold between 60 and a 100 weeks...Vicky would have the total, and really we are looking to build on that this year. One of their principles of that company said he was just going to back off a little bit and he kind of retired - his partners is what he did and the sales part was his end of it. The guy they sent up to take his place really didn't do the job. We went shopping to look for somebody else. They recommitted. They actually are going to be up here on Tuesday to start putting together their sales effort. They are working with Aaron and I to do more things like bring tours in like you saw in the past, referral parties that some of you have asked about- so watch your Foxtales and the website for that. We'd really like to get this where not only can we sell my stuff to get that in the hands of owners but to sell some of your stuff.

As far as the facilities management, I don't want to get too long winded, but we started 3 years ago. We told you we were going to go unit by unit and replace what needed to be replaced. If the carpet was still good or the cupboards were still good, we were gonna leave those and try to get through this whole facility. At this point, we will be through every building in the next few weeks except for Golf Villa 6 which really needs paint and carpeting. We did put some furniture in there, so in the fall when we do that one we will be totally finished. Now when we say totally finished, that means that there are places where we left the carpet when we started this 3 years ago that now may need carpet. After this summer there will be 3 more years of wear on it, so it's a constant evaluation process. We're not stopping. This

fall and over the winter we will go back to those first units we did; and if there was carpet left that now needs it or the kitchen cupboards now need to be changed, we will continue to do that. But we will be able to do this at a pace that isn't quite as frantic as it was the last 3 years when we tried to get through all 22 buildings. Originally it was a 4 year plan, but we are pretty much done in 3. We're going to continue on this and then we are going to (since there won't be as much going out in that) we are going to work on the reserve and other things around the buildings that need to be done. Improvements to the Rec Center building, improvements to the outside of the buildings, patio doors is one- we did not do any patio doors-they are all the original doors. We just didn't feel it fit in the cross structure when we first did it, but some of that will be getting done now. So the first summer, if you remember, it was all RCI inbounds that got put in those new units. Unfortunately you owners did not get in them. Some of you may have gotten in them last year. If you come this year (not if you are here for Christmas) but by this summer, you should all get a unit that has been gone through, painted, new furniture, new art work, upgraded...like I said we didn't change everything unless it needed it, but they should look a lot nicer. We've been getting a lot of good comments and our RCI inbounds certainly are confirming that with the scores we have presently have going on that Gold Crown status.

I don't have much else, I think. I am sure you will have some questions when it comes to the question and answer time.

(whispering) Ok, Andy just said my wish list for the outside or it's really your wish list because I talked to a lot of the owners. We had a comment last year that some people, several people, would like to see some different colors and that presents a little challenge because the roofs are all one color and the window trim but our decorator has come up with some colors. We are going to paint this summer and there's a plan that maybe they will vary, we will have 2 or 3 or 4 different colors and every 4<sup>th</sup> building is this color. So we are going to start that this summer with the buildings we paint. The outside of the Rec Center building I want to do something with that overhang it looks awful. I had a contractor in my office yesterday and I am hoping to have that done before you come back in the summer. Long term Richard and I have been working on the pool floor in the Rec Center. We tried to do it this past winter but by the time we got the bids it just wasn't going to be done with this year's schedule. If you were in there, you'd see the tile and lockers all got done last year. The pool building the main floor definitely needs some help. It needs to be redone, but it is a big project. At this point, it looks like we may need to take all the tile up which is not going to be a short project. We need to schedule it when there is the fewest number of people in here in the winter. Since it is going to be a big project and expensive, we are doing our homework on it. We'd like to only do it once. Number of years ago, before I was here, remember the tile that was out there, somebody sold a new product to the resort that was supposed to make that tile look like new and be non-skid. Well, all we did was take the finish off the tile and then we ended up with tile that was very slippery and the insurance company wanted us to do something so we got a painting contractor in that said he could get paint in that would definitely stick and have grit in it and that didn't stick too well. So what we have is what we have. So Richard and I are working on a solution that not only is not slippery but looks much nicer and doesn't cause an undo financial hardship. We want to do a really good job but we want to do the homework and do the best job we can for the best price we can for all of you. (away from the mic...does anybody have any other comments or things I should cover?) I

will be around here after the meeting and I will be here for questions and answers. I'm not just looking for questions, if you have feedback or ideas. Some of our best ideas on how to fix things for energy consumption, some of those things have come from you people right here. It's a big pool of people, a lot of good ideas, so feel free if you have any thoughts.

(Richard) Thank you, Joe. (clapping) One thing I failed before when I opened the meeting I didn't establish the quorum, which we do have a quorum here; we do have a voting presence here so that is established. So we can shift into the question and answer period if the people have some questions step up to the mikes and state your name and who you would like to get the answer from.

(Barbara Kanera) When we could use the pool over by the hotel they had that nice cabana where there was shade. It was like an overhang. In the Rec center you go outside and you just bake in that sun, there's no protection for children. Is it possible that an overhang could be built? Are you aware of what I am talking about?

(Richard) Ok, that's a good idea. Thank you.

(Rosalie Klingbeil) I just have a concern that every time I am here, I would like to see a bigger clock in the pool area. When I am swimming without my glasses I can't see much (laughter). And a bigger one inside and at least something outside so people can keep track of time and not get sunburned.

(Richard) Ok, thank you very much.

(Beverly Bitter) I was wondering if we do get to the Gold Crown status, does that mean that our point value would go up.

(Richard-prompted by Vicky) as of January 1<sup>st</sup> those would go up, right.

(Tim Hanson) We have these huge water heaters in the units in the villas. Is there an inter tie between the units? It would save so much energy by being able to cross over and valving to...you don't need to run those water heaters so much. Just something to look into.

(Richard) I think Joe's got an answer for you.

(Joe) It depends on the building. Some have an individual unit for each unit in the building and some have, and that will be in my 5 year plan. We have not been replacing with conventional units. We have been putting tankless in and that is one of the reasons you are seeing the energy costs down. If you are out in the Golf Villas 2, 3, 4, 5 and 6 have two big water heaters for the whole building and there is a circulating system in there, so they are sharing it. Most of the rest of them were built before anyone was too concerned about energy costs and there is actually a 100 gallon water heater in each one of those units, so we are heating 400 gallons of water per building. We have put in several of the tankless. I don't know for sure, but I think it is well over 10. That is in the plan. There are 6 more out there to be put in before the season starts. That is a big area of concern. If you want to talk later, I can tell you what we are doing and if you have any thoughts on that, it would be great. (thanks)

(Richard) Thank you for your interest, it is truly appreciated.

(Charlie Ross) Have you ever thought about door bells? When people come to visit you, you have no way to know that they are there.

(Joe) We definitely have. In fact, it was one of the things I wanted to do in the renovations and we hadn't had comments on it forever and what I was told by some of the staff was that people all have cell phones now so it isn't an issue. I will go back and look into wireless. Because they weren't put in initially and it's all dry walled, but I can't believe in this day and age that there must be something wireless out there that we can do. Yours hasn't been the only request lately, so I will definitely write that down.

(thank you)

(Jim Treadway) I have a question on exchanging with RCI, I think when you exchange into a week resort you can do it 2 years in advance, but if you do it to a points resort, it's only nine months. (rumbling)

(Joe) Well I will defiantly ask the question because they require us to deposit your points two years out and we don't have an option. We didn't bring an RCI rep here this year because they don't come here for free, so we talked about it and there weren't that many questions last year so we will definitely get an answer for you.

(Joe) ma'am you have a comment on that?

Yes, Anita Lytle, I just made a reservation two weeks ago and it's two years for weeks and ten months for points. The exchange fee for points was \$139 and the exchange fee for weeks was \$209.

(Joe) Ok, I will ask them the question and they may have an answer but simply because we have to spacebank farther in advance for points than for weeks, so it seems strange to me that they wouldn't you owners if you points are in there already, why you wouldn't get to book them. But I will ask the question.

(Richard) If we get an answer to that, we will try to get it on the website. Thank you.

(Rosalie Klingbeil) I just had another suggestion for the pool since you are messing up the floor, to possibly put a slide in there? For kids, it's not going to be a waterpark but it's something to keep them occupied maybe. Another question I had related to when we stayed here, this past winter, we no longer had the Golf Channel on the cable network and wondered what is being done with that or if you ever considered switching to Direct TV? I have a daughter in Madison and they changed their fraternity house to Direct TV from cable and saved a tremendous amount of money.

(Aaron) Absolutely, we are actually looking into that right now. The fact that the Golf Channel, Speed Channel and 3 other channels just vanished from us one day unbeknownst to us. Cable didn't rely that to us very well. We actually had Charter here yesterday telling us what we need to make the switch from analog to digital and in that process we are looking into other companies as well. With our layout here, because we are so expansive, it is a lot of cable to run and if we are going with satellite we would need

several different dishes which increase the price quite a bit, but we are considering all those factors and we should have something within the next month or two. Thank you.

(Richard) yes, sir.

(Ray Ogea) I noticed on your event for next fall, that's deer season.

(Aaron) unfortunately, that is the only date on our calendar that is open. In the future, we can be a little more flexible. But due to weddings and stuff that is the only spot open in 2013.

(Mike Martin) We own a 2-bedroom and we had an issue for a number of years and you talked to RCI, but it still isn't resolved. A 2-bedroom has the ability to sleep 8, but when we transfer out, RCI says we only have 6. When we ask RC,I they say well you only have a dinner serving for 6. We need to get this solved because it is hurting us when we trade.

(Joe) Thank you Mike. I thought we had that resolved. When I spoke to them and we have our decorator here, but that is why those two stools had to be at the counter. They have assured us that this qualifies. I will be calling our RCI rep next week and we did speak with them when they were here last year. They said they would take care of it. Shame on me for not following up on it. I will follow up on that. Thank you for reminding me.

Rosalie Klingbeil again, I just was wondering when you do these renovations, what do you do with all the stuff you get rid of? Do you trash it, sell it or recycle or donate it so somebody?

(Joe) all of the above. We sell what we can sell, because we try to get money to buy new stuff. We don't get much money. I think we get \$50 for the refrigerators and ranges. Some of the tables and chairs we sold. What we can't sell ,we donate (muffled talk about who picks it up) . It's a local charity that comes and picks it up and uses it for less fortunate people. The bedding all went to a church down in Chicago that makes quilts and things for less fortunate people which it would have cost a fortune to take it to the landfill. They brought a trailer up here and we put all the mattress in there and they came and hauled it away and it saved us money and they put it to good use.

(Rosalie Klingbeil) with relation to that - we used to have a recycling program here. Do you still do something like that?

(Vicky) On the bulletin boards in the hallways it will tell you to bag it up and put it outside at the end of the sidewalk and housekeeping will take it away. It can all be co-mingled.

(Rosalie) Could you put it in the check-in packets instead?

(Vicky) Sure. I think it is actually in there too (but people don't look at them) but we will make sure it is there.

(Joe) I know in my area and here too, I think they call it single streaming where you can put it all together so you don't see all the separate containers anymore. We will make sure it is in the check in packet.

(Janice Arendt) I have a question. I understand the importance of limiting the number of guests you can bring, but is there a way that if you own more than one week you could put a star or something so that if you own more than one week you can bring two guests? I know you can go to the hotel pool.

(Vicky) We can work something out for that.

(Richard) Talk to them at the time and they can probably work something out.

(Vicky) Janice come see me and I will take care of this for you.

(Janice) Also my sister Jean called and asked about better wireless. I know you are working on this but if you could get better wireless.

(Aaron) Yes, that kind of goes along with the cable. We're doing a lot of testing right now and it will be good in one place and then because of firewalls you can't get it 2 feet further. We are talking about increasing our bandwidth within the next two months and this should help also.

(Richard) Actually with the internet thing we are above the curve with a lot of things and we are leading this kind of. There will be some growing pains but it will work out. I think you have to be a little patient on that with us too.

(Joe) This past winter we didn't have the issue, but this past spring break we didn't think about all the young people out here and they are all on a laptop and playing games and it all kind of crashed it. We are also looking to not spend money when we don't have to because the more modems you put out here, the more it costs because there is a fee for those, but we will probably beef it up now that we know during those peak times. We kind of got caught off guard because we know we need it during the busy time, but we didn't think about the big presence of young people during spring break. Some of them have up to 3 or 4 devices with their phones and their games, I-pods and I-pads and every one of them is hooked up. I know when our two college kids come home, our internet starts to crawl because I have a 12 year old as well and they all have 3 devices that seem to be going all the time, it seems like. So we did learn from that and it is a work in progress but this coming season we will have a better handle on it.

(Richard) Sometimes even the pipeline the supplier has isn't large enough to take care of this overrun. I know the service we have at our home is that way. I know around supper time it is slower than molasses in January. You wait until they are off of it and it is much better. So sometimes it is the pipeline and not necessarily our end.

(Aaron) And as we go through the process, please be sure to give us your feedback if it isn't working. I know I have had some guests say "I don't want to pester or bother you", but it is really important we know where the black holes are so we can investigate it.

(Janice) We were here during spring break, so that explains it.

(Richard) OK, thank you.

(Ray Suennen(?)) In the budget do you have depreciation expense in there?

(Richard) It's not in the budget because the budget is based on cash. The budget is cash but the financials are based on accrual - if you understand the two of them.

(Ray) I understand. Another question regarding the bad debts. Can you identify how many weeks are not paying and what percent of the total unit weeks approximately?

(Joe) We can get a definite number, but Vicky's estimate is about 5%. Total owner's there are over 4800 and we are very actively pursuing them and we have been doing this for a number of years. That is why you see the bad debt down. I think you probably heard this over the years if you have been here, we started out with the easy ones. Now we are down to the people we can't find, the people who have gone bankrupt or won't give them back. We try to take the easy approach, and if you are destitute, we try to take the easy way and send them a deed and get them back. Now we are down to the ones that have moved maybe 5 years ago and we can't find them and you have to advertise. But that is why you saw that bad debt number down. We have gotten a lot taken care of. We can get you a hard number and if you would like to give any one of us your name, we can get it to you or would you like it on the website or put out as a report in the Fox Tales, but it is significantly less than it used to be.

(Ray) You also said there were 60 sales approximately last year...

(Joe) year before last year

(Ray) Year before last year approximately, how many of the 5 percent unit weeks would that equate to?

(Joe) For total weeks there are a little over 5,000 but that's hard to say because some people own every other year, some people own 4-shares or combinations. 5400 would be the biggest possible number of units.

(Ray) so 5% of that would be roughly 250 units?

(Joe) yes

(Ray) There was a \$100,000 decrease in bad debt expense so does that mean that units were taken back and they are sitting there in a bank somewhere and they are not incurring a maintenance fee on an annual basis?

(Joe) There would be some of that but when we brought Compass in we worked with them so that they would sell for every so many weeks of my weeks they sold they sold one held by the owner's association, so yours held as a group are sold and producing dues. So to answer your question some of it could be that we took weeks back and its multiple years that were out there and we had to write it off when we got it back. According to IRS rules we can't just decide to write it off. There has to be a reason to write it off, like it's uncollectible and when we get to that point we write it off. Maybe our accountant here could answer that a little more effectively than I did.

(Ray) Well adding to that question, do you have unrecorded bad debts out there at this point and time since your statement just lead me to believe you don't do a year to date true up. You did a catch up on some of them.

(Ann) Well there's always more bad debts coming as the attorney's do their processing and they go through foreclosure or whatever they need to do.

(Ray) OK, let me restate it. For all of those delinquent maintenance fees that have not been paid, are they all accrued as bad debt on a yearly basis?

(Ann) No, it's estimation. For tax purposes, you aren't allowed to do reserves for bad debts, like banks do, we aren't allowed to do that. So this is specific ones that were written off either the attorney has finished his processing, we've gotten the deed back or I will look through them and say this person hasn't paid in the last however many years and the attorney can't find them, then I can write them off. So yes there is always going to be some in receivables but we have been paring them down each year to get it more realistic.

(Ray) So right now with the 250 units out there times the \$500 that is the annual bad debts that we are not receiving at this time and those costs get spread over the rest to make sure maintenance fees cover the costs as a whole. So that's roughly \$250,000 per year.

(Richard) If you look at the maintenance fees collected that is what we received and that varies from year to year depending on how people pay. Sometimes people are delinquent in that and will pay later so the dues actually come in the next year versus the year they were supposed to be paid. That figure does get kind of skewed, at times.

(Ray) Pardon me, \$125,000.00. Thank you.

(Joe) That would be correct if they were all full year owners, 2 bedrooms, weren't even or odd. Not any of them were 1 bedroom, or 3 bedrooms. It would be close, yes.

(Rosalie Klingbeil) Sort of related to that but not really, how many weeks or units are out there that have never been sold or have been repossessed. And is there any plan that if they were ever all sold to build anymore?

(Joe) Good Question. There's plenty of place to build. I have always said in the past that until we would sell all the ones we have left, which hopefully won't be that long if Compass does the job I have seen them do other places. We've discussed with the board that we wouldn't build until we have any owners that wanted to get rid of their units could do so. I don't think it's good for us to build new inventory at the same time there are people who want to get rid of their inventory. It's not good for the value of either. So if your question is "do we have plans to build right now even if my limited supply of weeks were sold" the answer would be no, we haven't even looked at that. If we had a demand at some point which would mean any of you as owners who wanted to get rid of yours would be taken care of and ours were all sold, yes we would consider it. There is room to build more property.

(Gary Little) I am kind of wondering what is the relationship with the hotel and us people here. For example they say they are doing upgrades here. Will that affect us in any way?

(Richard) That's a good question but I think I will let Joe answer that one.

(Joe) Everybody got a disclosure book when they bought or should have and it's pretty well spelled out in there, but it's complicated and it has some legal-ease in it. So what you as owners and myself as well since I own units and everyone else up here as most of them are owners here. Your unit 1/52<sup>nd</sup> of it, let's make it simple here; you're a one week owner you own 1/52<sup>nd</sup> of that unit with 51 other people. The association as a whole owns all the common areas in that building, the hallways, the yards around it, the roads that come in there. The rest of the thing, the golf course, the hotel, conference center that you are in today, the bar is owned is owned by Fox Hills Resort, LP which is a totally separate entity. So to answer your question, no, if I decide to put new siding on the hotel, it's not in your budget. It's in my budget. The only things the association dues go for is to maintain those buildings down there and the pool building. The pool building down there - not the pools up here, and those roads right down in there. They mow the lawns right around those buildings that it just those buildings. 22 buildings and the pool, check-in, Recreation building.

(Richard) I think it is important to know what the Jacobson's do for the owner's that they don't have to do. Basically, there are people who complain we used to do this or we used to get that and stuff like that. Then they say the hotel pool can be used by us anytime, that's completely on his dime. He's paying for the care of that pool. He pays for cleaning the carpets that lead to the pool. He pays for all of that. The Association doesn't pay for any of that and he's allowing that. He does other things too. He has promotions that he has going on, like this dueling pianos tonight for instance. That's in his facility. The Association is not paying for the room. We're not paying for that, he's doing that. He does a lot to try to make this better. He understands that the marriage between the condo association (which is the owners) and the resort are somewhat connected, because if one succeeds, the other one will succeed better too. He's been more than fair with most of his things. I know there are some things different than they were described years ago because it's a different owner. The other person made some deals and walked and is not responsible for those deals. And most of those answers are in that disclosure book. It will define the difference between the two entities, but you have to remember that everything the Association does there is a direct cost to the Association. What Joe does for us usually doesn't relate to a direct cost to us. He's been very generous to try to make both entities work. You got something to say yet Joe?

(laughter)

(Joe) I do. It is a marriage. (clapping) We all need each other. If we locked this place up, you would have your condos (kind of like the place up at Cable) with no restaurant and things like that. On the other hand, it wouldn't be very good for us if we had a bunch of empty condos out there if something happened to the condo association. So it's good for all of us. One thing I forgot in my facilities report, one thing Aaron and I are working on, you people who use the fitness center we are looking at and should have in the next few months new equipment in there. That equipment served us very well but it

is very dated and we are looking into that as we speak. We've got some quotes out there so that's one more thing that if anyone is staying here or for the owners who driving distance can come out and take advantage of that on a daily or couple times a week basis. So...Amy?

(Amy MacMillin) I just wanted, you took my fire Richard. I want to thank you, Joe, and your family for managing this and doing a wonderful job. Please don't ever go anywhere and I think it is an insult that some people were questioning you and I want you to know, please stay. (clapping)

(Joe) There's never any insult. If people have a question, I would want them to ask. I don't ever take insult to that. If you don't know, then you should ask because you are misinformed otherwise. I would rather have people know exactly what is going on. I never take offense to anything. Believe me when I first came out here I knew nothing about timeshare or hotels or golf courses. And it took a long time to figure things out and there are people out there who no way would know it. I've had to live it for a long time to understand it, so I don't have an issue with questions at all. I do think that most of you have been very understanding. We have all started out what was a rough period when Mr. Likas left us with the association in a big debt a long time ago; many of you have been here that long. Everything is going great now and it's because we have all worked together and persevered together. It's worked out well. It's rather enjoyable now that we are to the end of it. I look back and have a lot of fond memories and enjoy a lot of the conversations and interactions that I have had with all of you. Oh, and I'm not going anywhere Amy. No plans on it anyway (laughter). I do have a 12 year old. I was hoping to retire early, but I don't think that is happening.

(Richard) Yes sir.

(Kurt Keller) I just want to make sure I have a correct understanding. The association owns 22 buildings but Fox Hills actually owns the Rec Center.

(Richard) No the Rec Center is owned by the.....(mumbling) excuse me, I'm misinformed already.

(Joe) We own, the owner's association has never owned the Rec Center. We've always just let them use it for free. They pay for the maintenance. There is no rent charged on it. They pay the real estate taxes and the maintenance.

(Kurt) Yeah, so the Rec Center is owned by Fox Hills and we just pay the maintenance for it.

(Joe) Correct. And that was the way it was when we came here. I don't know what Mr. Likas' plans were when he built it but that's the way it was and we never changed it. Number one, the association didn't have any money back then to buy it anyway and it's gone along just fine for so long I don't see any need to change it. But you pay for the upkeep only. No rent. It is taxes and upkeep.

(Kurt) Thank you. I just wanted to make sure that was clear.

(Richard) Thank you. Yes, sir.

(Ray Ogea) I remember when Likas was here and that's when I got my card as a Fox Hills owner. On the back of that card it says that I get a discount in the bar and the restaurants. That is no longer right. When are we going to get new cards? (laughter)

(Richard) You can get a new card. Just contact Vicky and she can get you one. (laughter) One that doesn't say that on the back. Thank you. They do have some discount programs like Aaron said earlier. They do have some discounts on golf and they are trying to work this in with us. And they have growing pains as well as us for that matter and some of this stuff is going to take a while. I've seen some improvement here since Aaron has been here already. Things have shifted better, not that it was bad before but Aaron has brought some new light to what they are doing and has some new ideas. I think it is working well. Anymore questions? Ok, one more question and then Joe has something to say yet.

(Sandy Siewert) I am wondering, some of these owners that have disappeared and you can't find and aren't paying. Is there a chance, and I don't know if this is legal or not, that some of us that have been owners for years and years maybe some of us people know these people and know where they went. Is there any way you could list the people that aren't paying?

(Vicky) Legally you couldn't do that.

(Sandy) Even if it is just trying to stay in touch with them? That's what I thought. It was probably a legal snafu but, there could be ones of us that might know.

(Richard) If you think you might know people like that, you can provide it to us. (laughter)

(Joe) I tell you what I will do, we will ask the attorney what we can do. Like if we ask a simple question – Fox Hills owner's association is trying to contact John Doe, do any of our owner's know him? And we put that in the Foxtales, would we be able to do that when it doesn't mention why we are looking for them. We will ask that question. We will ask the question because the last thing I want to do is something that is going to cause any liability for the Association.

(Sandy) I know you don't want to do that, but maybe people have kept in touch with these people over the years.

(Richard ) Thank you we will look into that. If there are no more questions, Joe has something very important to talk to you about.

(Joe) I will try to be brief, I sometimes like to talk. (laughter) To go along with this conversation, we had a few minutes ago about the improvements we've made and whether I am going anywhere or not. Well I'm not, but somebody else is. When I took over 11 years ago out here, before this we had Meyer – Jabara, we had a management company and we were just investors. Palm Beach Hotel Group and then Meyer-Jabara. They were the ones who ran it right after Likas. And then my brother Eric was in charge for a year or so and then we had Bob Dove was the general manager came over from the Bergstrom properties and then I came aboard. We had a little transition in our family businesses and I came here. I knew nothing about this business, but I started looking at it and it's just business. There ought to be a better way to do this. A lot of the people were good people who worked here, but they were set in their

ways and they didn't quite look at things the way I did. So I made a decision that I needed to find somebody else to get this done. So I went out and hired John Anthony Holzschuh, who at that point was running a paper mill in Neenah and I can tell you he is retiring this fall and none of us would be where we are without him. Because I am in an office in Menasha and I look at financials everyday and I talk to John every day. My day starts every day with John and I on the phone at 6:30 or 7 in the morning to talk about Fox Hills. He's the guy who's here. He's the guy who brought Aaron on. He's the one who has fought these battles when we didn't have the money to keep the units up and it's been a heck of a battle, but it's been fun as well. John and I have not only become working partners in that time, we've become friends. So if you see John around, he's standing in the back, he's probably going to kill me for this, but wish John well. He's retiring this fall, but he will be around until then so wish him well. He's done one hell of a job and I would like everyone to give him a hand. (clapping)

(Richard) John would you like to say a few words or at least waive your hands so they know how you are? (laughing) John has been very helpful. Once I came on the board, I found that John has a very hands on type approach. He views every subject personally. He has been an asset to the organization and he will really be missed. Oh yeah, we have a drawing here and a vote. Do you have the results? We have the results. Oh, we're going to make Vicky do it. She begged us that she wanted to talk a little. (Laughter)

(Vicky) OK, we had a 173 and ½ votes because alternate people get a half of vote. We were able to get a winner with 79 votes and that is Richard Isely. (Clapping) Richard are you here? Please stand up. (He stands) There he is our new board member. Thank you.

(Richard) After this meeting the board will meet downstairs and Richard you have to be there also. We have to elect officers and then we will come up again then the people can meet us and give us their gripes, etc.

(Aaron) The reception with the food and drinks will start shortly before 3 O'clock. I will try to get things out quicker...Joe didn't talk as long as we expected. (Laughter)

(Joe) We will do the drawing. I am not a part of your board. I am the management company, Aaron and I; we will be up here so if you have questions for us while the board is gone. We'll still be here.

(Aaron) And again for you that are looking for tickets for tonight or looking for more information for dueling pianos tonight. See myself, or Vicky or Kris (who is taking the pictures) and we will get them for you. Doors will open at 6 O'clock and the entertainment will begin at 6:30 and we hope to see all of you there. It is a 4 hour show. There is an intermission in there. Bars will be available and food will be available for purchase also during that time.

Mumbling while someone from the audience comes forward to pick a name for the drawing.

(Richard) Doris Jochman. (laughing, clapping) Ok, see Aaron or Vicky. Ok, the next thing on the agenda is the next owner's meeting is the 3<sup>rd</sup> Saturday in April.

(Vicky) Nope the 4<sup>th</sup>. The 3<sup>rd</sup> is Easter.

(Richard) The fourth Saturday in April. So the date is the 26<sup>th</sup>? Hopefully we can have things pretty much like this. Last year they had something going on and we had to be out of here. This year Joe blocked us off. Would someone like to entertain a motion to adjourn?

Rumbling (Vicky) I need a name.

Don Brown made a motion to adjourn and Amy MacMillin seconded. (Richard) All in favor?

(chorus of I's)

(Richard) We are adjourned. End of recording.