

Mount Snow Grand Summit Hotel

Rental Income Statement Explanations

December, 2010 (REVISED 11/07/2019)

Background:

The Mount Snow Grand Summit Hotel (GSH) is a timeshare-type establishment, whereby quarter-share (13-weeks, 4-week intervals) owners can use their unit(s) and the amenities offered at the hotel. In addition, any quarter share owner can enter into a “Rental Management Agreement” directly with Mount Snow Ltd., the rental manager, to have pre-determined days/weeks available for rent to outside customers. Participation in this rental program also allows the owner additional access to overnight stays at Mount Snow and at Hunter, NY outside of their interval(s) through the “Space Available” program. Owners can also deposit their assigned weeks into either the RCI and/or Interval International exchange networks. Consequently, various guest-types can stay in the GSH, including:

- Owners in their assigned units
- Owners in another unit under “Space A” provision
- RCI or INTERVAL exchange guests
- Group and/or conference guests
- Transient guests who booked in advance
- Walk-in transient guests
- Marketing comp guests

Each of these guest-types can impact the rental revenue and costs. Both the room rate and the costs (commonly referred to as “pre-deducts”) can impact the GSH quarter-share owner and the rental management company, both of whom share in a portion of the rental revenue. If any rental activity occurs during a given month, then the owner would get a monthly rental income statement that is mailed approximately the 15th day after that month.

Page 2 of the Rental Management Agreement states:

“Net rental income is defined as follows: the actual rental received for each night less credit card charges, preventive maintenance program contribution, travel agent commissions, meeting room fees, parking charges (if applicable), and activity/marketing fees. Note that taxes, service charges, resort use fees and gratuities are not included in net rental income.”

Pre-Deducted Costs & Travel-Agent Fees – there is a 55/45 cost sharing between the residential unit owners and the rental manager. If a rental cost (e.g., the 4% maintenance fund) was not first pre-deducted from the room rate, then those dollars would have to flow down and then later be split 55/45 between the unit owner and rental manager thus still impacting their respective net rental incomes (i.e., whether a pre-deduct cost or a post-deduct cost, such as with agent fees, a \$10 cost still results in a contribution of \$5.50 from the unit owner and a \$4.50 contribution from the rental manager).

Monthly Rental Income Statement:

INCOME: Each time a reservation is made, it is assigned a reservation number. That reservation may overlap one or more owner intervals depending on the length of stay. The stay duration is indicated on the rental income statement. Therefore, the full value of a reservation may or may not be assigned to the same interval owner, i.e., if it overlaps two ownership periods, then each owner appropriately shares the reservation’s revenue.

COMMIS: Management Fee – 45% of net rental income is paid to the rental manager (Mount Snow, Ltd.) per the Rental Management Agreement. Additional costs to management are housekeeping, front desk, valet labor & supplies along with payroll burdens.

Monthly Rental Income Statement: (continued)

- AGTCOM: Fees associated with a guest reserving a night(s) via a travel agent-type mechanism is indicated under AGTCOM (agent commission/fee) and can be incurred as follows:
- 1) Mount Snow Ltd. operates a Central Reservations department that represents the Grand Summit Hotel and also many other local lodging properties. The Grand Summit Hotel is a member of Mount Snow Central Reservations and pays the same commission/booking fees that other members pay for similar services. These services include operating a call center plus managing online bookings and potential transient guests. This fee is only deducted if the Mount Snow Central Reservations Department generates the reservation. The charge is 12.5% of the room rate, split 55/45 between the quarter share unit owner and the rental management company.
 - 2) The Central Reservations department also uses the services of a GDS (Global Distribution Services) company. Excluding reservations booked through the Mount Snow website, GDS coordinates all other online agencies (e.g., Travelocity, Expedia, Orbitz, etc.) on a daily basis. When GDS books a reservation via such an agency, then the Grand Summit Hotel must pay the GDS a flat fee (approx \$18) plus a percentage (approx 10%) to the corresponding online travel agency. The Mount Snow Central Reservation department receives no commission/booking fees on such GDS bookings.

NOTE: the Grand Summit unit owner is charged 55% of the total of these fees and it is deducted from the owner's share of rental income. The rental manager pays the remaining 45%.

- ACTVTY: **Pre-Deduction** – A flat rate of \$15 per day, per lock-out room. This pre-deduction is primarily used to help offset the cost of the Mount Snow sales and marketing efforts as it relates to attracting guests. To a lesser extent, this activity charge also covers the cost of activities that are offered to guests during busy times. These activities happen primarily during the winter season when transient and owner occupancies are the highest.
- CCFUND: **Pre-Deduction** – Credit card fee is calculated using 3% of the room rate and is applied to every reservation. Note: It is extremely uncommon for any guest to pay with cash.
- 4%FUND: **Pre-Deduction** – This maintenance fund is calculated using 4% of the room rate and is used for minor repairs or replacement items only in the “Residential” units. Examples are sheets, towels, dishes, silverware, small appliances, etc. It also covers deep cleaning of all residential units every year.
- 2%MAIN: **Pre-Deduction** – This maintenance fund is calculated using 2% of the room rate and may be used for minor repairs or replacements in the “Common” areas of the hotel or to offset the cost of “common budget” items such as energy (propane/electricity).
- GCONF: **Pre-Deduction** – This fee (sometimes referred to as a “conference room fee”) of 10% of the room rate is deducted from each group or conference reservation. This fee is used to help offset the costs of operating the meeting rooms plus the labor and supplies needed to host such groups.

Monthly Rental Income Statement: (continued)

OP-BAL: This OP-BAL figure represents the balance brought forward from the past calendar month's overall rental activity. For example, the past calendar month of September 1-30th activity and its corresponding OP-BAL would be shown "as-of October 1st" on the owner's statement received approximately October 15th. To continue this example, if there happens to be no activity from October 1-31st, then no statement would be mailed November 15th. (Note: it is conceivable that if there was no rental revenue in a given month but, for example, an RCI or INTERVAL guest resided in the owner's unit, then that timeshare-deposited unit owner would actually owe money for the associated housekeeping costs.)

CHECK: This figure represents the rental check monetary amount which exactly coincides with the OP-BAL or "opening balance" from the past calendar month's activity.

OAXFD: If an owner is a member of Resort Condominiums International (RCI) or Interval International (II) and has deposited weeks with RCI or II and a time-share guest stays in that exchanged unit, then that Grand Summit owner is responsible for the associated housekeeping fees. This OAXFD code is also used at times for Owner Housekeeping Fees when the owner occupies their unit.

OCHECK: This figure represents a payment made by the owner, usually required for RCI, II or Owner housekeeping fees.

CHECK ENCLOSED: Net effect from last month's ending balance (OP-BAL) + INCOME less Costs.

RCI, II and Unit Owner Overnight Stays:

For any of these three overnight-type stays, the GSH quarter-share owner is charged a fee that is made up of:

- A pre-set, established housekeeping fee for labor and supplies to clean the unit.
- The 3% credit card fee and
- The 6% fee that funds a "Residential" revenue line item in the GSH association's budget.

These above 3% and 6% fees are calculated by multiplying those percentages by the pre-established housekeeping fee for that particular unit-type.

"Space A" Reservations and Marketing Comp Overnight Stays:

The guest utilizing "Space A" is also charged the same pre-set, established housekeeping fee that covers labor and supplies to clean the unit, the 3% credit card fee and the 6% fee that funds a separate "residential" revenue line item in the GSH association's budget. In addition, there is a \$6 charge/day that goes to the 4% "residential" maintenance fund. Marketing comps may or may not be charged the housekeeping fee at the discretion of the management company. (Note: marketing comps are tracked by unit by interval to comply with the terms of the Rental Management Agreement.)

Summary:

As a reminder, each GSH unit owner does get a yearly overall Association budget assessment plus separately pays a town property tax. Mount Snow Ltd, the rental manager, has similar costs and is also responsible for valet, housekeeping and front desk costs required to service outside hotel guests.

The unit owner and rental manager mutually share the "rental revenue" by splitting the room rate 55% and 45%, respectively. However, per the same rental agreement between each owner and the manager, specific costs are deducted prior to finally reaching the rental statement "net 55/45 split".

(Note: see examples below to further help explain the Monthly Rental Statement.)

Monthly Rental Income Statement: (continued)

Rental Income Statement --- One (1) Overnight Stay

Example #1 – off season reservation

- **Guests who booked a hotel unit in advance:**
 - Booked an **off-season** stay directly thru Mt Snow Central Reservations Dept
 - **\$89.00** Income (room rate)
 - (\$3.56) 4% Residential unit fund
 - (\$1.78) 2% Common maintenance fund
 - (\$2.67) 3% Credit Card charge
 - **(\$15.00)** Sales/marketing & activities
 - **\$65.99** Net Income

 - \$29.70 45% Mt Snow Ltd share of Net (COMMIS)

 - \$36.29 55% Unit Owner share of Net
 - **(\$6.13)** Owner 55% share of the 12.5% Reservations booking fee
 - \$30.16 Owner Payment (Check Enclosed)

 - Booked their **off-season** stay online via Travelocity, GDS
 - **\$89.00** Income (room rate)
 - (\$3.56) 4% Residential unit fund
 - (\$1.78) 2% Common maintenance fund
 - (\$2.67) 3% Credit Card charge
 - **(\$15.00)** Sales/marketing & activities
 - **\$65.99** Net Income

 - \$29.70 45% Mt Snow Ltd share of Net (COMMIS)

 - \$36.29 55% Unit Owner share of Net
 - (\$9.90) Owner 55% share of Flat fee (one-time per reservation) thru GDS system
 - **(\$4.90)** Owner 55% share of 10% Online (Travelocity) booking fee
 - \$21.49 Owner Payment (Check Enclosed)

Monthly Rental Income Statement: (continued)

Rental Income Statement --- One (1) Overnight Stay

Example #2 – high season reservation

• **Guests who booked a hotel unit in advance:**

- Booked a **busy-season** weekend stay directly thru Central Reservations Dept
 - **\$279.00** Income (room rate)
 - (\$11.16) 4% Residential unit fund
 - (\$5.58) 2% Common maintenance fund
 - (\$8.37) 3% Credit Card charge
 - **(\$15.00)** Sales/marketing & activities
 - **\$238.89** Net Income

 - \$107.50 45% Mt Snow Ltd share of Net (COMMIS)

 - \$131.39 55% Unit Owner share of Net
 - **(\$19.19)** Owner 55% share of the 12.5% Reservations booking fee
 - \$112.20 Owner Payment (Check Enclosed)

- Booked their **busy-season** weekend stay online via Travelocity, GDS
 - **\$279.00** Income (room rate)
 - (\$11.16) 4% Residential unit fund
 - (\$5.58) 2% Common maintenance fund
 - (\$8.37) 3% Credit Card charge
 - **(\$15.00)** Sales/marketing & activities
 - **\$238.89** Net Income

 - \$107.50 45% Mt Snow Ltd share of Net (COMMIS)

 - \$131.39 55% Unit Owner share of Net
 - (\$9.90) Owner 55% share of Flat fee (one-time per reservation) thru GDS system
 - **(\$15.35)** Owner 55% share of 10% Online (Travelocity) booking fee
 - \$106.14 Owner Payment (Check Enclosed)

Monthly Rental Income Statement: (continued)

Rental Income Statement --- One (1) Overnight Stay

Example #3 – “walk-in” reservation

- Walk-in transient guests booking same hotel unit:
 - Booked an off-season stay at the front-desk
 - **\$89.00** Income (room rate)
 - (\$3.56) 4% Residential unit fund
 - (\$1.78) 2% Common maintenance fund
 - (\$2.67) 3% Credit Card charge
 - (\$15.00) Sales/marketing & activities
 - **\$65.99** Net Income

 - \$29.70 45% Mt Snow Ltd share of Net (COMMIS)

 - \$36.29 55% Unit Owner share of Net
 - (n/a) 12.5% Reservations booking
 - \$36.29 Owner Payment (Check Enclosed)

 - Booked their busy-season weekend stay at the front-desk
 - **\$279.00** Income (room rate)
 - (\$11.16) 4% Residential unit fund
 - (\$5.58) 2% Common maintenance fund
 - (\$8.37) 3% Credit Card charge
 - (\$15.00) Sales/marketing & activities
 - **\$238.89** Net Income

 - \$107.50 45% Mt Snow Ltd share of Net (COMMIS)

 - \$131.39 55% Unit Owner share of Net
 - (n/a) 12.5% Reservations booking fee
 - \$131.39 Owner Payment (Check Enclosed)

Monthly Rental Income Statement: (continued)

Rental Income Statement --- One (1) Overnight Stay

Example #4 – Group / conference reservation

- **Group and/or conference guests in same hotel unit:**
 - Booked an **off-season** stay directly thru Mt Snow's sales department
 - **\$89.00** Income (room rate)
 - (\$3.56) 4% Residential unit fund
 - (\$1.78) 2% Common maintenance fund
 - (\$2.67) 3% Credit Card charge
 - (\$15.00) Sales/marketing & activities
 - **(\$8.90)** 10% Conference Fee
 - **\$57.09** Net Income

 - \$25.69 45% Mt Snow Ltd share of Net (COMMIS)

 - \$31.40 55% Unit Owner share of Net
 - (n/a) 12.5% Reservations booking fee
 - \$31.40 Owner Payment (Check Enclosed)

 - Booked **busy-season** stay directly thru Mt Snow's sales department
 - **\$279.00** Income (room rate)
 - (\$11.16) 4% Residential unit fund
 - (\$5.58) 2% Common maintenance fund
 - (\$8.37) 3% Credit Card charge
 - (\$15.00) Sales/marketing & activities
 - **(\$27.90)** 10% Conference Fee
 - **\$210.99** Net Income

 - \$94.95 45% Mt Snow Ltd share of Net (COMMIS)

 - \$116.04 55% Unit Owner share of Net
 - (n/a) 12.5% Reservations booking fee
 - \$116.04 Owner Payment (Check Enclosed)

There are no reservations booking fees associated with Group and/or conference reservations.

Example #5 – “Package Deal” reservation

During the course of any given year, there are so-called “Package Deals”, formulated by the Mount Snow Grand Summit Hotel (GSH) Marketing/Sales Departments, which report directly to our Lodging Director (or General Manager, GM). These preset, dollar-amount deals, which are geared to increase hotel occupancy, may include various amenities, such as golf, skiing, meals (normally breakfast), free valet parking and availability of discounts at other venues (e.g., restaurants). *In some cases, these deals may also be promoted and funded by the GSH Owners Association.* Each package sale typically provides a preset, minimum amount of Hotel Income based on the *“lowest-tiered, smallest unit-type size” (studio/sleep 2)**. The remainder of the Total Package Price is accounted and distributed as revenue to each of the applicable Mount Snow amenity pools (i.e., skiing, golfing, valet parking food & beverage) that are involved in the Package. For example, a 2-night ski package deal priced at \$289 would provide \$170 (2 x \$85) in Hotel Income, while the remainder (\$119) goes to the Mount Snow amenity pools.

* *“Lowest-tiered” pricing exception:* If the buyer requests and is provided a “higher-tiered” unit or at time of booking there are no lower-tiered units available (and buyer agrees to an upgrade), then the price of the booked higher-tiered unit would apply. The package deal examples below have the lowest-tiered rate, \$85. However, if the guest is upgraded to a studio sleep 4, then the base room rate is \$100; hotel room sleep 4 is \$129 and one bedroom sleep 4 is \$139. Accordingly, the upgraded package deal would have been increased by \$15, \$44 and \$54 respectively.

- “Package Deal” booked directly thru Mount Snow Central Reservations Dept
 - **\$85.00** Hotel Income (lowest-tiered room rate)
 - (\$3.40) 4% Residential unit fund
 - (\$1.70) 2% Common maintenance fund
 - (\$2.55) 3% Credit Card charge
 - **(\$15.00)** Sales/marketing & activities
 - **\$62.35** Net Income
 - \$28.06 45% Mt Snow Ltd share of Net (COMMIS)
 - \$34.29 55% Unit Owner share of Net
 - **(\$5.84)** Owner 55% share of the 12.5% Reservations booking fee
 - \$28.45 Owner Payment (Check Enclosed)
- Package booked online thru Travelocity or Expedia, via Global Distribution System (GDS)
 - **\$85.00** Income (lowest-tiered room rate)
 - (\$3.40) 4% Residential unit fund
 - (\$1.70) 2% Common maintenance fund
 - (\$2.55) 3% Credit Card charge
 - **(\$15.00)** Sales/marketing & activities
 - **\$62.35** Net Income
 - \$28.06 45% Mt Snow Ltd share of Net (COMMIS)
 - \$34.29 55% Unit Owner share of Net
 - (\$9.90) Owner 55% share of Flat fee (one-time per reservation) thru GDS system
 - **(\$4.68)** Owner 55% share of 10% Online (Travelocity) booking fee
 - \$19.71 Owner Payment (Check Enclosed)

Example #5 – “Package Deal” reservation (continued)

GSH Owners Association funded “Marketing Focus Initiative”:

(Each booking is digitally recorded with a special identification code for tracking purposes)

Supporting entities, such as schools, cultural centers and housing associations would be recruited to help promote a “package deal” to their constituents. In most cases, such an entity would not receive any sales-type commission. However, if mutually agreed and approved, then an entity could retain a percentage of the normal reservation booking fee as a sales commission for sharing their resources (e.g., personnel, website & constituent-communications) and for their overall endeavors.

\$15per day Sales/Marketing & Activities Fee: About 85% (~\$13) is used to fund Hotel Marketing efforts during the year; the remaining 15% (~\$2) pays for various in-house guest activities. Consequently, since the GSH Association is already funding the extra “Marketing Focus Initiative”, only the activities portion (\$2) is pre-deducted below.

- Booked via Central Reservations Dept, **NO Supporting Entity Commission**
 - **\$85.00** Hotel Income (lowest-tiered room rate)
 - (\$3.40) 4% Residential unit fund
 - (\$1.70) 2% Common maintenance fund
 - (\$2.55) 3% Credit Card charge
 - **(\$2.00)** Activities fee only (~15% of daily \$15)
 - **\$75.35** Net Income

 - \$33.91 45% Mt Snow Ltd share of Net (COMMIS)

 - \$41.44 55% Unit Owner share of Net

 - (\$5.84) Owner 55% share of the 12.5% Reservations booking fee
 - **(n/a)** Owner 55% of Supporting entity commission
 - \$35.60 Owner Payment (Check Enclosed)

- Booked via Central Reservations Dept, **With a Supporting Entity Commission**
 - **\$85.00** Hotel Income (lowest-tiered room rate)
 - (\$3.40) 4% Residential unit fund
 - (\$1.70) 2% Common maintenance fund
 - (\$2.55) 3% Credit Card charge
 - **(\$2.00)** On-site amenities/activities fee
 - **\$75.35** Net Income

 - \$33.91 45% Mt Snow Ltd share of Net (COMMIS)

 - \$41.44 55% Unit Owner share of Net

 - (\$3.50) Owner 55% share of 7.5% Reservations booking fee (12.5% - **5%** *)
 - **(2.34)** 55% of **5%** * Supporting entity commission
 - \$35.60 Owner Payment (Check Enclosed)

*In this particular example, **5 percentage points** of the preset 12.5% Reservation booking fee was an Approved commission for the Supporting Entity. Such a commission percent could be different, but no supporting entity can get more than a maximum of 10%. In both examples the final Owner Payment is the same since the combination of reservations + commission percents is set at the 12.5% overall figure.

END