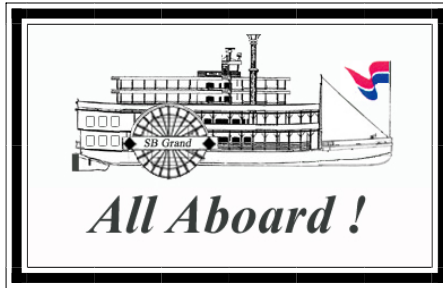


*News and  
information  
about the  
Steamboat  
Grand*



November 2008

Newsletter

Editor: Kevin E. Gilman



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## *New Deal Approved*

Now that the members have voted to move forward with the letter of intent (LOI) between the Association and Steamboat Ski and Resort Corp (SSRC) we are focusing on the financial impacts. To understand the Association's finances you need to keep in mind that there are two categories of expenses. Common expenses are shared by both residential and commercial owners based on square footages. Residential expenses are only paid by residential owners.

From inception through September 30<sup>th</sup> the common operating fund has a loss of \$300,000. This is offset by common reserves of \$539,000 for a net of \$239,000. This is not much money compared to the list of upcoming projects, which includes roof work, exterior finishes, mechanical systems and lobby carpet to name a few. For the last several years the budget has included \$150,000 a year to be set aside for replacement projects, but that is not really enough to adequately fund future replacements. Prior to the LOI, there were really only two options, raise the annual common assessments or have com-

mon special assessment(s) to fund projects as they come up. As part of the LOI, SSRC has agreed to reimburse the Association \$154,000 for property taxes paid on the garage. That significantly improves the picture, but to put it in perspective, we will spend half of that money on roof work to eliminate ice dams and icicles just on the lower front of the building.

The reimbursement mentioned above is a one time payment, but the other changes to the garage mortgage will be ongoing. The reduction in principle and interest on the garage note will generate annual savings of \$450,000. SSRC will also pay the property taxes on the garage going forward, which is another \$30,000. Again, to put that in perspective, those two annual figures combined would only cover 25% of the remedial roof work that is being discussed. Additionally, the Association has agreed to give SSRC the parking revenue, or right to not charge parking fees, for the next 3 years. That item represents \$100,000 of revenue in the current budget, which offsets the \$450,000

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### *Communication*

*This newsletter is produced to improve communications between the Board, the Management Team and the Owners.*

### *From the Pres ....*

As most of you know by now, the Home Owners Association (HOA) membership overwhelmingly voted to affirm the Letter of Intent (LOI) that the Board had negotiated with Intrawest. The board is very grateful that so many of you took the time to read and understand this complex agreement and cast your vote. More than 75 % of the HOA members cast their vote. Many of you had excellent questions about the agreement which the Board attempted to fully answer through individual communications to members and at the October 11 HOA membership meeting.

The agreement addressed many of the issues of contention that the HOA has had with SSRC since the Grand's development. It is the Board's firm conviction that, with these issues now behind us, we can concentrate on insuring that the Steamboat Grand

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### *Taking Care of Business:*

## **Kevin Gilman**

Shortly after the Declarant ceded control of the Association to the members, the new Board hired Association Accounting and Administrative Assistance. AAAA's principle is Kevin Gilman, who's career began in real estate development and evolved into the hospitality industry when he helped establish Vail's property management division in Beaver Creek. 25 years later he is still in the resort business, since "they only put resorts in nice places" as he likes to say. He has managed accounting departments from the Florida Keys to Saipan in the Western Pacific, but has spent most of those 25 years in Colorado. In addition to Vail and Beaver Creek, Kevin has also worked in Winter Park, and Silver Creek. Kevin came to Steamboat in 2001 as the Financial Controller for the Grand. After working for another management company, he formed AAAA because he felt there are benefits to separating the management of the physical property from the accounting and administrative function. Two sources of information gives the Board better control over the affairs of the Association. It is what accountants call "separation of responsibility". So far it is working pretty well.



**Kevin Gilman**

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## From the Pres...

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maintains or even improves its competitiveness and the HOA members' ownership experience. I urge you to read and understand the provisions of this agreement since they will form the basis of our relationship with Intrawest/SSRC in the future.

An immediate impact of the implementation of this agreement will be the reduction in garage mortgage payments by the HOA of \$450,000 annually. An important issue to be decided now is; how will this cost reduction be utilized? If this cost reduction were passed entirely on to the HOA members it would result in a 10% reduction in individual HOA dues. But would this be in the best long term interests of the Grand and the HOA?

The Steamboat Grand is an aging facility that is facing increasing competition from newer developments soon to come on stream or in the planning stages. We need some upgrades and improvements to our facilities and amenities if we are to remain competitive. These improvements would also serve to maintain and enhance the value of our investments and guest experiences.

The Board will be considering these issues in the coming year and would appreciate hearing from you concerning how the cost reductions should be applied. How much to dues reduction? How much to facility improvements and what improvements?

We would also like to know if you would be willing to serve on a committee that would advise the Board on these issues.

Joe Fogliano  
President, Steamboat Grand HOA

### Correspondence for the Board:

You can send any correspondence for Board Members to:

**Executive Board of Directors  
Steamboat Grand  
2300 Mt. Werner Circle  
Steamboat Spgs, CO 80487**

We will photocopy your comments and forward them to all Board Members. If you mark the envelope "CONFIDENTIAL" we will hand deliver it to the President of the Board.

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mentioned above.

The residential fund is a brighter picture. Because the expenses are more predictable, the fund has not run a deficit as the common operating fund has. We are about 70% through recarpeting the residential units and the fund has a September 30<sup>th</sup> balance of \$312,000. SSRC has agreed to no longer charge a lease fee on the telephone system, which will be a savings of \$30,000 annually. This will be offset by taking on some of the expenses SSRC used to pay for the Bistro unit of about \$7500. For the last several years, the budget has included \$300,000 a year to be set aside for residential replacement projects. Although the residential operating expenses are fairly predictable, the residential replacement expenses are not. Everything that will be replaced inside the units comes in a range of qualities that greatly impacts the cost. After eight years of operation, the carpeting is the biggest issue, so it is being addressed. It is also time to start replacing furniture, window dressings, paint, trim, and appliances won't be far behind. Quality and timing are subjective choices that ultimately determine the funding needs for the residential fund.

Clearly there are some tough decisions that will need to be made going forward, and we anticipate a wide range of opinions. As always, the Board is open to input from members, and encourages participation in our various committees that dig deeper into these issues.

## Owner Amenities

### Owner Trading Website

We are pleased to announce a brand new trading website for Steamboat Grand Owners. After a year of research to provide the owner's with a more user-friendly website we feel that we have found one. The new trading website for owners is [www.primaryservices.com/steamboat](http://www.primaryservices.com/steamboat). For details on how to use the website, visit your owner's website at [www.steamboatgrand.info](http://www.steamboatgrand.info) or contact Stacy at [shuffman@steamboat.com](mailto:shuffman@steamboat.com).

### Après Ski & First Tracks

Après Ski & First Tracks will be returning for the 2008/2009 ski season. Après Ski will be held on Tuesdays, Thursdays, and Saturdays from 3:30 to 5:30 pm in the Hotel Owner's Lounge. First Tracks will be available on Sundays, Wednesdays, and Fridays starting mid-December. When available, more information will be posted on [www.steamboatgrand.info](http://www.steamboatgrand.info).

## Upcoming Events

- November 26:** Opening Day and Scholarship Day
- December 31:** New Year's Eve Torchlight Parade & Fireworks
- January 5-10:** 10<sup>th</sup> Annual Music Fest
- January 12-16:** Ski Jam
- January 16-17:** Steamboat Family Snow Festival
- January 18:** Mitchel Musso Concert
- January 20:** Cowboy Downhill
- February 4-8:** Winter Carnival



Last year, to align with the recommendation of our AAA inspection, the Steamboat Ski and Resort Corp (SSRC) Steamboat Grand management team made a decision to halt the rental of all stand-alone King hotel rooms to our guests due to the size limitations of these unit types.

The result of this decision removed 78 hotel rooms from the group and conference market segment, thus decreasing availability for "run of house" rooms for the Steamboat Grand. It also reduced the number of Parlor rooms from our inventory, because many were combined with a King room to create the one-bedroom deluxe condominium, or "Grand King". Over the past year, not only have we discovered that our group guests continue to request King rooms when making reservations for our property, but a large amount of our transient guests are also seeking King hotel room accommodations.

This past summer, our AAA inspection suggested that our Hotel Double Queen rooms are also "not spacious enough" with respect to their room size guidelines. For the past five years, the Steamboat Grand seemed to be in line with AAA room size requirements and not until the last two inspections have we been challenged with the rooms' square footage. Due to these changing room requirements by AAA, our property has reviewed the significance of our Four-Diamond rating and has concluded that we are not willing to eliminate the stand-alone King and Double Queen hotel rooms as an option for guests.

From SSRC's business perspective, and to protect our homeowner rental income potential, the Steamboat Grand management team has elected to withdraw our AAA affiliation so that we can offer both Hotel Double Queen and King room accommodations. In these difficult economic times, our focus will be to maximize our rental opportunities and to provide more options to our customers. In addition, we recognize that quality is tantamount to our success and in light of that, we look forward to our continued upgrade program to our room products. SSRC as a company remains committed to our priority of providing the highest level of accommodations and service to our guests in every way possible.