

PRELIMINARY DRAFT

Steamboat Grand Resort Hotel Condominium Association Minutes of the Annual Meeting Saturday 10/11/2008 At 2:00 PM In the Grand

Call to Order

The meeting was called to order at about 2:04. Notice of the meeting was mailed to all members on September 14, 2008. The Secretary confirmed that a quorum was present. Board Members in attendance were: Joe Fogliano, President, Laurie Good, Treasurer, David Zedeck, Secretary, Mike Lomas, and Greg Magee. Steve Traudt was on a conference phone.

Review and Approval of the Meeting Minutes from 10/13/07

Bud Romberg motioned to approve the minutes as presented. The motion was seconded. The motion passed.

Election of Directors

Because the terms of the Board Members are staggered, only two positions are open, one for a Residential Board seat and another for a Commercial Board seat.

Steve Traudt, the incumbent Residential Board Member is standing for reelection. No other nominations have been received so nominations from the floor were requested. There being none, a voice vote was called and Steve was elected for a three year term as a Director.

Mike Lomas, the incumbent Commercial Board member is standing for reelection. No other nominations have been received so nominations from the floor were requested. There being none, a voice vote was called and Mike was elected for a three year term as a Director.

The agenda was rearranged slightly to allow a break for voting following the presentation and questions regarding the Letter of Intent (the "LOI"). Owners are welcome to express their opinions on this issue, however, as of noon on October 10th the requisite threshold of 67% affirmative votes had been reached. About 600 total votes have been counted, representing about 75% of the membership. Approximately 71.87% of the allocated votes were eligible to vote, and of this 54.92 percentage points voted in favor and .98 percentage points voted against the measure to approve the LOI. The 54.92 percentage points out of a possible 71.87 represents a 76.4% super majority. The LOI will be discussed more later in the meeting.

Financial Presentation

Kevin Gilman, with Association Accounting and Administrative Assistance ("AAAA"), explained that his company was hired by the Board shortly after the developer ceded control of the Association to the owners. The normal business model was changed to have Steamboat Ski and Resort Corp manage the property and AAAA manage the accounting and

administrative task. This provides a simple separation of responsibility that is in everyone's best interest.

Kevin began the presentation by recognizing the efforts of the volunteer Board Members in getting the Letter of Intent approved. In particular, the two local Board Members, Joe Fogliano and David Zedick have spent hundreds of hours reviewing and negotiating dozens of iterations of the LOI. There are still a couple more agreements to finalize, but the volunteer Board Members have done a great job on the owners' behalf.

AAAA's accomplishments over the past year were reviewed, including the introduction of newsletter, the Common Area Usage Agreement, the new vending program, minutes on the web site, quarter and eighth share rotation calendars have been perpetuated through 2049, and updating the bylaws. About 18% of the owners have elected to receive their billing statements via email, 39% use the automatic credit card payment program and 12% are using automatic bank debits. The billing cycle and collection program are running like clockwork, the Board receives monthly financial statements on a timely basis, and forecasts of future financial results are produced quarterly. AAAA has identified cost savings and new sources of revenue that recover 90% of the annual accounting fee.

The annual audit was reviewed. Certified copies are available either on paper or electronically. The format of the presentation was simplified to facilitate discussion. The balance sheet was reviewed, specifically the source of cash. The income statement was also reviewed, starting with the dues reduction, and the addition of parking fees. Utilities are the biggest expense, which came in very close to the prior year, but currently per unit costs for energy are up well over budget. Residential services include the front desk, which decreased because owner usage relative to rental usage has come down. Building maintenance cost was down in the audit compared to the prior year, but given the age of the building that trend is not expected to continue. Insurance decreased because of aggressive shopping. Snow removal increased by 80% over the prior year, but has been budgeted at the lower average cost. Operations came out with a surplus of \$111,000. This will be applied to future Replacement Reserves. Replacement expenses in the audit include \$344,000 for unit carpet, roof gutters and lobby renovation.

The income statement was then presented showing the Common Fund and Residential Fund. All owners contribute to the Common Fund whereas only the residential owners contribute to the Residential Fund. From inception to date the Common Fund, including replacement reserves, has a surplus of only \$171,000. The Residential fund, including replacement reserves has a surplus of \$919,000. This distinction is important because if additional funds are needed for future replacements, we need to know which set of owners will be asked to contribute.

A question was raised regarding the accounting treatment of the LOI transactions. The land that Ski Corp wants is owned jointly by all the owners. In order for the Association to transfer the land it has to be converted to an asset, which is the question covered by the LOI ballot. Now that we have an affirmative vote of a supermajority of the members, we will convert the land to an asset and put it on the books at a value equal to what Ski Corp has

agreed to pay for it. The offsetting credit will be to contributed equity. As the various components of the LOI are completed, other asset accounts will be debited and the value of the land will be credited. The land will eventually be valued at the remaining value of the garage mortgage, which is the option price Ski Corp has agreed to. If the option is exercised, the land asset and the garage mortgage will go to zero.

A question was raised regarding a potential reduction in dues. No decision has been made yet, but the changes need to take into consideration keeping the building in good condition. Input from owners on this tradeoff was encouraged.

There was additional discussion regarding the LOI, including what might happen with the land. There was also discussion of the rental program's 4% fund and how it impacts the Association's budget. With no other questions, the Financial Report was closed.

Old Business

The LOI ratification was approved by a super majority of eligible allocated votes. The floor was opened to questions. The first question was regarding the tramway easement over the Knoll parcel. The easement has been in place for many years and although Ski Corp can now change that easement if they want to, the ability to build the Tram was not a major consideration in the negotiations. The Base Area Redevelopment Commission has asked about using the land for a park featuring the Butterfly Barn, but that decision is now up to Ski Corp.

A question was raised about having the Tram stop at the Grand on its way to Gondola Square. That was discussed within Ski Corp but is unlikely to happen.

A question was raised about the restriction on the land as open space. There are two documents that address this issue. The letter from the attorneys and the appraisal both concluded that it is highly unlikely that the land will ever be able to be developed because the development rights were waived as a condition of approval of the building plans for the Grand. It is written into the development agreement.

A discussion of the voting procedure ensued, followed by a break for members to cast any final votes. The meeting reconvened at 3:30.

The appeal of the property tax valuation was discussed. This item is not in the Association's budget. The tax bills are passed through to the unit owners. The county had originally ignored the auction purchase prices in determining the values, and therefore the property taxes. The Board hired a consultant on a contingency fee basis and with the help of attorneys, was able to get the county to include the auction prices in its valuation calculations. The net savings to the owners was about 40%.

Committee Reports

Greg Magee chairs the Communications Committee and the Amenities Committee. The owners website www.SteamboatGrand.info continues to be enhanced. Meeting minutes, the LOI and associated documents have been posted, the governing condominium documents are

there. The quarterly newsletter is another attempt to improve communications. We have created a new unit trading website that will allow owners to bank some of their time and possibly trade it with other owners. Stacy Huffman demonstrated the functionality of this new site.

Greg reported that the Amenities Committee is working very well with the help of non-Board members. The First Tracks and Apre Ski programs will continue similar to last year. Ski storage at the Slopeside Owners Club has been greatly improved because Ski Corp has stored the rental skis somewhere else. There are now twice as many vending machines in the Grand, including two at the ski storage facility. The owner parking policy has been under continuous review.

Facility Report

Mike Lomas reported the problem of fogged windows is nearing completion. Maintaining the swimming pool in a safe manner is an ongoing issue. During the last pool closure, all the sand filters were cleaned, and pumps were replaced in addition to the usual grout repairs. The electronic lock system is now eight years old and all batteries will be replaced before ski season. The boiler and ventilation system controls are outdated and will be replaced along with the software that manages the controls. The roof is still in need of retrofitting to minimize snow and ice problems and removal costs. The anticipated costs will be about \$1.7 million.

On the hotel operations side, improvements include new flat screen TVs, unit re-carpeting is 60% done with another 20% coming up this fall. Future projects include getting a high definition TV signal, upgrading the unit finishes, including sleeper sofas, chairs, Ipod compatible alarm clocks, lamps with electrical outlets on the desktop, new bedding and duvet covers. Window coverings are also on the list in order to comply with the AAA Four Diamond standards.

The upcoming winter season is pacing above last year in spite of the economic downturn, specifically because of strong group business. The first week of Christmas is soft, but the week between Christmas and New Year's looks strong. The employment situation is very tight, relying on J-1 visa students and H2B visa workers. These visas are very limited because of immigration reforms, creating a big problem for the Grand.

A recommendation was made from the floor that cell phone repeaters be installed within the building to improve reception and therefore guest service.

Adjournment

At 4:21 there was a motion from the floor to adjourn and it was seconded. Motion passed.