

**MINUTES OF THE BOARD OF DIRECTORS MEETING OF THE STEAMBOAT
GRAND RESORT HOTEL & CONDOMINIUMS ASSOCIATION, INC (THE
ASSOCIATION)
MONDAY JUNE 25, 2007
STEAMBOAT SPRINGS, CO**

I. Call to Order & Establish Quorum

Joe Fogliano, President of the Association, called the meeting to order at approximately 9:05am. Five of the Board Members were in physical attendance: Joe Fogliano, David Zedeck, Ron Belin, Mike Lomas, and Laurie Good. Two of the Board Members called in: Greg Magee and Steve Traudt. Also in attendance were: David Nagel, the Association's Legal Counsel, Stacy Huffman, Association's minute taker and Director of Owner Relations, and Kevin Gilman, Association's consultant. Mr. Fogliano established that a quorum was present to conduct business. The meeting proceeded in accordance with the agenda contained in the stated notices except as otherwise noted herein.

II. Ratify the Minutes of Board Meetings held on April 4, 2007 & June 11, 2007

The Board did not have any corrections to the minutes of the April 4, 2007 or June 11, 2007 meetings. **David Zedeck motioned to approve the April 4, 2007 minutes, Ron Belin second. All were in favor. David Zedeck motioned to approve the June 11, 2007 minutes, Mike Lomas second. All were in favor.**

III. Committee Reports

a. Management Contract

The Management Contract committee, Joe, David, and Steve, have had a number of meetings regarding the Management Contract with Steamboat Ski & Resort Corporation (SSRC). David feels they are getting closer to an agreement on the management contract. Steve was under the impression that they were only going to enter into a one-year contract and not a three-year contract. There were two issues that arose since the decision on the one-year contract: Steamboat Ski & Resort Corporation has laid a proposal on the table, however it is contingent on a three-year agreement, and given the amount of time put into the negotiations, a three-year agreement would be better. According to David, a three-year agreement is more like a two-year agreement because of the timing. Laurie stated that SSRC has agreed to a \$100K commitment to the Association with \$50K in cash (retroactivity and housekeeping closet) and a \$50K investment in the hotel provided the Association agrees to a three-year contract. Steve is in favor of a longer contract, however his only hesitation is that there are other things involved in the relationship with Intrawest because of the sale to Intrawest. Joe pointed out that the Association does not have an agreement with SSRC unless it is for three years. David believes the three-year contract is a good idea, but is not trading the three-year agreement for the \$100K. Laurie commented that the \$100K from SSRC is to get a three-year agreement if the Association chooses a one-year agreement, the \$100K comes off the table. The main issue with the 100 thousand dollars was related to the retroactivity of the housekeeping closet on the 6th floor. The concept was that this was in common element and SSRC should have been paying dues related to that square footage. SSRC's view on this is that going forward they have the space valued at

\$17K per year to cover the HOA dues. If you make this retroactive six years, it comes to \$120K. David feels that SSRC should pay this amount to the Association. SSRC does not feel it is worth the \$120K for a couple of reasons: American Skiing Company paid over 65% of all owner dues for approximately five years because they owned a majority of the residential space and the space in question is on the 6th floor, which is not commercial space that the Association could have rented.

Joe has asked Laurie to review some of the major issues that have been agreed to regarding the Management Contract. According to Laurie, it is the same agreement in terms of wording and language. Where it has been restructured is what the manager does in terms of services. The agreement now describes the responsibilities of each service and how much is paid for the service. In the most recent committee meeting the discussion revolved around the definition of owner occupancy. Previously, owner occupancy was described as any night an owner occupies a unit and the management company is not earning rental income. An owner stay is when an owner is using their owned time, gave their week to RCI, and Space Available. The negotiation point is that Space Available should not be included in owner occupancy nights since it is a benefit to owners in hopes they sign a Rental Management Agreement and is not related to the HOA. By changing the definition of owner occupancy, the costs related to the Front Desk, Bell Service, and Concierge is decreased. The Board and SSRC are looking into shifting the cost to the owners that utilize the benefit of Space Available.

The other major change is the definition of the management fee. The management fee used to be ten percent of operating costs. SSRC changed it to read that the management fee will be ten percent of operating costs excluding utilities. This protects the Association from the raising energy costs. David Zedeck asked David Nagel if the Board has to vote on the Management Contract today or can they vote via e-mail. David Nagel states that the Management Contract, Budget, and Kevin Gilman's agreement can be put to a vote via e-mail. There was another language clean-up that Kevin Gilman brought to Laurie's attention: Item 2.1.5 under the General Manager portion in regards to hiring of personnel.

The next change was in the Owner Services section: there was a difference in opinion between SSRC and the Board regarding their time. SSRC charged 100 percent of the Owner Services Department labor to the Association. SSRC and the Board have come to an agreement that 65 percent of the labor will be charged to the Association. Language is being added to charge a reservation fee under 2.4.5. Discussions were held that the Board believes the Front Desk costs should be covered by SSRC because of the Rental Management Agreement. SSRC's rebuttal is if we were not such a seasonal property or not a property with as much fractional ownership it make sense. SSRC does not have the ability to absorb all of the costs and how can they shift the cost to the owners that use the property. SSRC has figured the cost of the Front Desk services to be \$65 per reservation, however they felt this amount was too high. SSRC has dropped the fee down to \$30 per reservation. This would be a revenue stream for the HOA to offset the cost of the Front Desk, Bell Staff, and Concierge services. The \$30 is per reservation and not per night. A Space Available reservation would only be \$10 per reservation. Steve asked the question of how the \$30 would be billed to the owners. Mike Lomas is suggesting that the \$30 be billed through Owner Services and the \$10 for Space Available be billed at check in. Ron would like to know how much this would actually be in terms of an HOA dues reduction. Laurie stated that currently this would be a total savings of \$293K in the residential dues with a portion of the \$293K from the reservation fee. Ron wants to make sure that they are careful in how they present the information and show the offset to owners. Joe believes the communication to the owners will be important in stating the reduction in costs and owners might be charged additional fees later.

Laurie has added the revenue the Association will receive because of vending machines to “common element”. David Nagel believes that section 5.3.1 should be changed because of the aggressiveness of the wording. Mike will help arrange a meeting with David Nagel and Bill Baum, Intrawest legal counsel, regarding a few sections in the Management Contract. Joe is asking David Nagel to come up with a counter proposal on section 5.3.1 on behalf of the Board. Sections 5.4 and 5.4.1 will be completely taken out of the agreement. Ron would like to see a performance measure included in the Management Contract. Mike is supportive of a performance measure, but does not want to specifically tie it into the AAA 4-Diamond standards. There are too many variables in dealing with an owners association, commercial operations, and hotel required improvements. Mike will provide a performance standard not tied into AAA ratings. Laurie brings to the Boards attention three other documents that are either in place or need to be implemented: 1. Change to the language in Fitness Center agreement; 2. A common area agreement describing leased common element space and 3. A letter of agreement from SSRC to the Association regarding the \$100K SSRC is willing to give the Association if a three-year agreement is signed. The Board will have an e-mail vote within the next couple of weeks regarding the Management Contract. Steve believes there are a number of monopolies that the current managers have on the Association. There are a few items that still have not been cleared up with personal property items. David Zedeck’s only major outstanding issue is the parking garage note, which could still result in litigation. Steve does not want to see the other issues that are out there go away. According to Ron we have come a long way from when the developer controlled the Board. Ron understands that the Board is new, and better than ever before. He believes it gives both parties a chance to figure everything out. According to Kevin it is stated in the Condominium Documents that personal property should be turned over to the Association. Mike would have to check into the phone system for the Association, however the key cards are already paid for by the Association. According to David Nagel there is a termination clause in the Management Agreement with approval by a majority vote of all Association members.

Joe asked to switch over to reviewing the information relative to Kevin Gilman taking over the HOA Accounting. The agreement with Kevin would include transferring what SSRC does for the HOA Accounting over to Kevin, a potential future employee of the HOA. The cost for Kevin to do the accounting is approximately equal to what the Association is currently paying. Greg informs the Board that the Association is insured against fraud. The HOA Accounting includes the monthly financial statements, HOA dues statements, paying the HOA expenses, including utilities and maintenance, and billing and collecting the HOA dues. Kevin will schedule hours to be in the Hotel Owners Lounge for owner questions. The accounting contract allows Kevin to charge additional fees for special services owners. David Nagel is questioning whether Intrawest is willing to take the Accounting Services area of the Management Contract out of the agreement. According to Laurie if the Board does agree to hire Kevin as the HOA Accountant, then yes, Intrawest will take the Accounting Services out of the Management Contract. Joe does not want the Board to look at the Accounting Services as a cost saved, but as a personal consultant for the HOA. David Nagel suggests that the Board add a personal guarantee in the contract with Kevin. Kevin would still like to have someone within SSRC to approve the invoices and have at least two people sign all checks for the HOA. SSRC is currently allowing owners to transfer their rental income towards covering their HOA Dues. Kevin feels that this should be able to continue. Laurie would like to make sure that Kevin will have the same access for owners to pay their HOA Dues accounts via automatic withdrawal or credit card. Kevin will set up a merchant account to continue such services. Mike has brought to the Board’s attention that Ed Anderson would like to present a bid for the Accounting Services.

Laurie would like to see the Board open the bids for the Accounting Service to the public. David states that they did not take the Management Contract out to bid and it is much larger, so why should the Board bid out Accounting Services. Mike would like to know what the Board is paying Kevin for the consulting services he provided. According to Kevin, he receives 50 percent of the first year's savings, 25 percent of the second year's savings, and 10 percent of the third year's savings. Ron is concerned with a three-year agreement with Kevin because of the amount of work that is involved with the HOA Accounting Services. Currently David Zedeck is working with Kevin on a three-year agreement that expires at the same time as the Management Contract. Ron would like to see a one year agreement with Kevin to reduce the risks. Ron is concerned whether Kevin can handle the Accounting Services. David makes a point that there is a clause in the contract that the Board can fire Kevin without clause. Mike would like to review the contract before making a decision. Laurie is more comfortable with a three-year contract because it is difficult to go back and forth. Mike would like to know if Kevin can go into the business of rental management. Joe does not know what would prevent him from going into the rental management business. There is a clause that prevents Kevin from adding additional clients without approval from the Board under a non-conflict of interest clause. Steve motions to accept Kevin's contract, but would need to settle the current contract with the Association before signing the new agreement. There was no second on the vote. The Board has instead agreed to vote via e-mail within the next week. Kevin is looking at the HOA Accounting Services as a full time job, but maybe not a 9am – 5pm job. He will work with owners if they would like to set-up appointments.

b. Budget

Laurie presented the current budget to the Board showing what the changes currently are. The Association is looking at potential revenue of \$96K for Fiscal Year 2008. There is a total savings of approximately \$180K. Laurie will also be moving the revenue from the housekeeping closet out of the revenue section because in reality it is not revenue for the HOA. Laurie and her team have broken out the administration and overhead costs to show how much the Association is paying for each service. Steve would like to increase the amount of the legal fees to help cover costs associated with the legal costs that could be related to the parking garage note. The Board would like to wait and work on a few other options first. There would be potential to add the additional costs next year. Laurie will be looking into the cost of the grounds increasing from Fiscal Year 2007 to Fiscal Year 2008. **Greg motions to approve the budget after a few changes are made by Laurie, Ron second. All were in favor.**

c. Ski Equipment Storage

The carpet to be replaced in the ski storage area is currently on order. Ron and Greg are currently working on the allocation.

d. Communications

The website is still under construction. Stacy is continuing to work on the website, but there are a few setbacks currently holding up the announcement.

e. Future Committee Activities

Joe would like Ron and Greg to take on a few additional items including owner perks. They have agreed to look at the parking garage and other perks.

IV. Parking Fee Implementation

Mike informed the Board that as of June 18, 2007 the management company has implemented the parking fee for guests.

V. Disposal Implementation Request

The Board has agreed to allow this particular full unit owner of unit 341/342 to add a disposal to their unit. They will potentially allow owners to add disposals on a case by case basis.

VI. Management Report

During April and May the management company spent \$81K of the capital reserves to replace residential carpets. They are continuing to replace windows in certain residential units. Mike met with Bill McKinney and Ken Pepper of the Shops at the Grand, and they are happy with the current solution regarding unit C-7. Mike is continuing to reduce current contract costs to the Association. The ongoing projects involve the gutters and looking into multiple options to reduce the costs of replacement. Owner Services will start handing out hanging parking permits to owners. Mike is proposing two parking permits per owner. Steve feels that two permits are too many for each owner and that only one should be issued. Laurie is suggesting either one per door to hallway or one per unit. Steve is okay with one for each of his LLC's, but David would not be happy with less than two for his entire penthouse. The Board has decided on one hanging parking permit per share. Steve feels that owners should only be allowed to park in the underground during their owned weeks and not whenever they would like. David does not feel we need to address this currently, but if parking turns into an issue that might be a solution. The fitness center has a new entrance and the construction in the locker rooms is complete. The current issue in the pool area is that the alcohol policy be in accordance place with the current Colorado Liquor Law policies. The Grand Spa will be expanding into where the current business center is currently located. Mike was pleased to announce that Country in the Rockies, a large group, will be returning to the Steamboat Grand after originally being told they were not going to be returning because of location. The former Western Reservation Office is now the Grand Reservations Office located in Steamboat Springs instead of Park City, Utah.

VII. Other Business

a. Next Meeting Schedule(s)

The next meeting is scheduled for August 15, 2007 at 9am mountain time in the Slopeside Owners Club.

David motioned to adjourn the meeting at approximately 12:45pm, Ron seconded. All were in favor.