

The Association of Angel Fire Property Owners

Annual Meeting

June 23, 2007



President Jim LeBus called the AAFPO Annual Meeting to order at 1:00 PM. Jim welcomed over 100 members to the meeting held in the Resort Hotel. He then acknowledged the contributions made by the Board in the past year, the continued good relations with the Resort and the commitment of the Board to pursue several challenging objectives in the coming year.

The Angel Fire Resort then made a presentation concerning the past year and plans for the future. The “Winter of Love” ski season was a major success with over 150,000 skier days recorded. The promotion also won an award from National Ski Area Association “NSAA”, the major ski industry association.

The summer schedule includes the return of “Movie Under the Stars” – in July this year instead of August – and several golf programs, including Friday Family Nights, Women in Golf, a “Glow Golf” nocturnal event, and FREE range balls for members and guests with tee times on that day.

The golf programs are in a period of transition as the country club building is scheduled for demolition in July. In its place, a “Sprung” building has been built on the site of the former putting green. This building will serve as the Pro Shop and the snack bar for the next two summers. Significant improvements are planned for the golf course including Sportcrete sand bunkers on all holes, revamped tee boxes, a new #10 green, and improved drainage on several holes.

The Resort also saluted AAFPO initiatives at Monte Verde Lake and the formation of a Golf Advisory Committee and a Finance Committee. Both of these committees have improved communication between AAFPO and the Resort over the past year.

The Resort is also pursuing a number of major projects that will impact the community in the years ahead. The Public Improvement District (PID) will bring infrastructure to many members who have been waiting for years to have the opportunity to build on their lots. The Resort has also committed to provide matching funds for Governor Richardson’s GRIP II project to improve the Back Basin Road beginning in 2008. Lastly, the Resort is lobbying the State to take over the Colfax County Airport at Angel Fire in order to obtain the necessary funding to improve infrastructure so that scheduled commercial airline service will be a possibility in the future.

A budget overview was presented then by Kendall Hanson, Chief Financial Officer of the Angel Fire Resort. Here are the highlights of her report:

- Membership dues collections exceeded the budget by over \$1,000,000. Part of the increase was due to the increased dues for Base unimproved properties (average dues increased from \$721 to \$906 per property) and the balance was caused by accelerated payments of 2007-08 dues paid in April of 2007 before the close of the fiscal year.
- Dues collections exceeded \$5,000,000 for the first time in the history of the Resort. Dues are projected to remain above this figure as more properties owned by the Resort are sold.
- The average dues per property will also continue to increase as Charter memberships decline over time as properties are sold. While the Base memberships are comparable in cost to Charter memberships, additional revenue is gained when members opt to upgrade to Silver/Gold/Platinum levels of membership.
- Delinquent dues continue to decline as AAFPO and the Resort have moved aggressively to collect delinquent dues.

Curt Hass, AAFPO treasurer, then presented the AAFPO Administrative Fund performance for FY2007 and the budget for FY2008:

- AAFPO was forced to tap the reserve fund during FY2007 as expenses (\$61,300) exceeded income (\$41,563).
- The deficit would have been worse if the Resort had not agreed to suspend AAFPO's share of the Concord billing expenses. Concord is the third-party service bureau that bills the membership dues each year. The cost of the Concord service alone exceeded the total income (1% of total dues collected) of the AAFPO Administrative Fund.
- All other expense accounts were in line with the budget for FY2007.
- The FY2008 budget is significantly lower than FY2007 due to the elimination of the Concord billing expense. The only new projected expense for FY2008 is the cost of an independent audit of AAFPO's financials as well as the Resort's financials dealing with the collection of dues and the disbursements from the Discretionary Fund.

B.U. Terry, Chairman of the Environment/Architecture Control Committee, then presented the E/ACC report:

- Revenue in FY2007 declined from FY2006 as both Building Permits and Forfeitures declined.
- The FY2008 budget shows another decline in Building Permits as the number of new home starts in Angel Fire continues to decline. Permits have declined from 96 in calendar year 2005 to 59 in CY2006. Thus far in CY2007, only 18 building permits have been issued.
- The E/ACC office is now located in the rear of the AFR Real Estate Office at the corner of Mountain View Boulevard and North Angel Fire Road.

In the absence of Jim Brown, Chairman of the Amenities Committee, Pete Carlson presented the Amenities Report:

- Due to underspending in prior years, AAFPO had an opportunity to catch up in FY2007. Over \$365,000 was budgeted for projects that are funded from the AAFPO Discretionary Fund. The Discretionary Fund receives four percent (4%) of all membership dues collected.

AAFPO Discretionary Fund Spending on the Amenities

| Area | FY2007 Budget | FY2007 Actual | Balance | FY2008 Budget | Total FY2008 Budget |
|------------------|------------------|------------------|------------------|------------------|---------------------|
| Ski Area | \$48,000 | \$47,305 | \$695 | \$46,500 | \$47,195 |
| Golf Course | \$87,964 | \$16,634 | \$71,330 | \$71,600 | \$142,930 |
| Tennis Courts | \$19,720 | \$16,587 | \$3,133 | \$31,500 | \$34,633 |
| Monte Verde Lake | \$51,500 | \$22,438 | \$29,062 | \$26,500 | \$55,562 |
| Olympic Park | \$16,500 | \$4,601 | \$11,899 | \$24,900 | \$36,799 |
| RV Park | \$102,000 | \$3,312 | \$98,688 | \$0 | \$98,688 |
| Greenbelts | \$39,971 | \$24,530 | \$15,441 | \$9,000 | \$24,441 |
| Total | \$365,655 | \$135,407 | \$230,248 | \$210,000 | \$440,248 |

RV Park & Stables

Over \$100,000 was budgeted for the repair of the bathhouse and installation of a new septic system. This project is now on hold based upon commercial development in the area that could impact these plans.

Ski Area

- Ski area funds in FY2007 were spent to create two glade skiing areas and build the Liberation Snowboard Park on Heading Home
- Additional glade skiing is budgeted for the backside of the mountain in FY2008
- The NASTAR program funded in FY2007 will continue this year

Golf Course

- Most of the FY2007 funding slipped into FY2008
 - Replacement of the #10 green
 - Rain/Lightning shelters
- FY2008 projects include
 - Improving drainage on the #1 fairway
 - Filling fairway depressions

Tennis Courts

- In FY2007, the tennis pro, Larry Hunter, was paid with AAFPO funds. The Resort has agreed to pay for his services in FY2008.
- The only major project for FY2008 is paving the walkway
- Both years include expenses for repairs, landscaping, windscreens, and other miscellaneous projects.

Monte Verde Lake

- The gravel path around the lake was started in FY2007 and will be completed in FY2008. The total cost of this project is \$31,696.
- A toilet facility will be built this year on the south shore of the lake
- The fish-stocking program is being expanded in FY2008.

Olympic Park

- Little was spent in FY2007 but significant funds are slated in FY2008 for rubber mulch and rubber borders around the playground
- Picnic tables will be added to both sunny and shady areas

Greenbelts

- FY2007 spending included the purchase of new mower and trail enhancements
- Spending for additional picnic tables, trailhead kiosks and mountain bike trails will be spent in FY2008

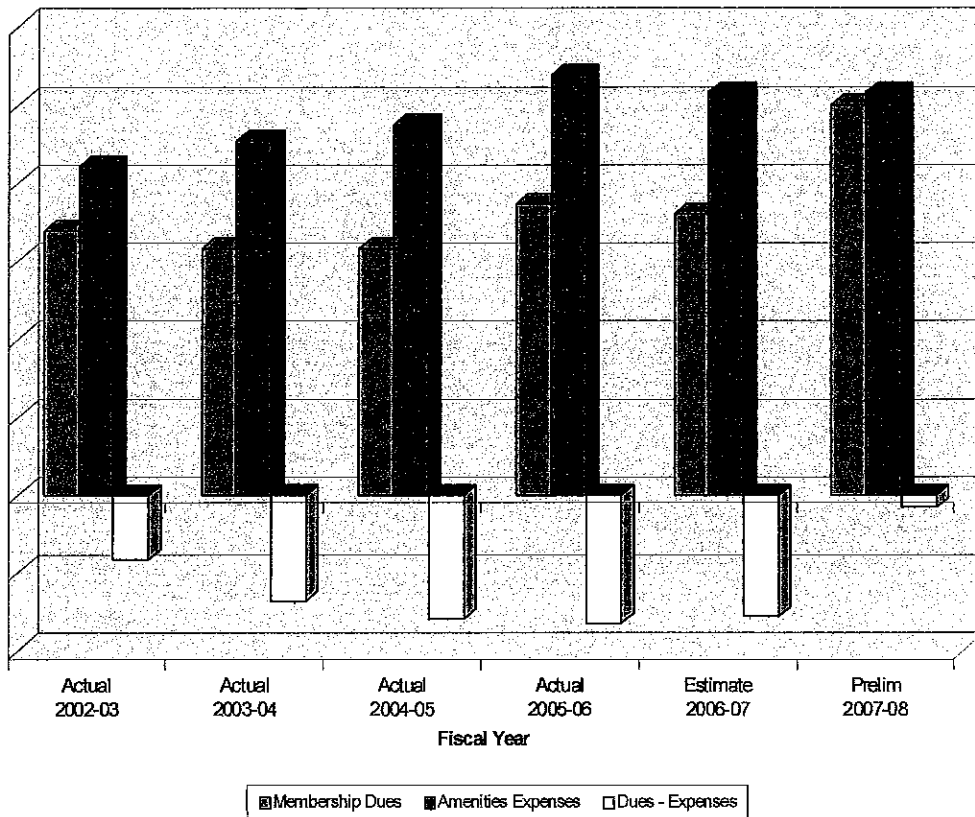
AAFPO Treasurer Curt Hass then presented the report of the Finance Committee:

- The Finance Committee was just formed this year and is composed of three members of the AAFPO Board who meet regularly with the Resort's finance group to review Discretionary Fund spending, collection of membership dues, Resort spending on the amenities, and other financial matters as required
- Each member of the Finance Committee signed a nondisclosure agreement with the Resort and is privy to detailed financial reports detailing amenity expenses and capital spending.
- Pete Carlson and Maren Bryan, Manager of Membership Services, developed a spreadsheet to track all Discretionary Fund spending.
- Curt Hass worked with the Dan Rakes of the Resort to resolve the question of whether AAFPO was required to pay Gross Receipts taxes to the state. A tax attorney advised that the taxes are required because the amenities are open to the general public and not used only by members. If the ruling had gone the other way, the members would have saved over \$350,000 each year.
- Jack Fuehr identified replacement software and a turnkey vendor to possibly replace Concord as our dues collection service bureau.

Jack Fuehr then reported on the Resort's spending on the amenities:

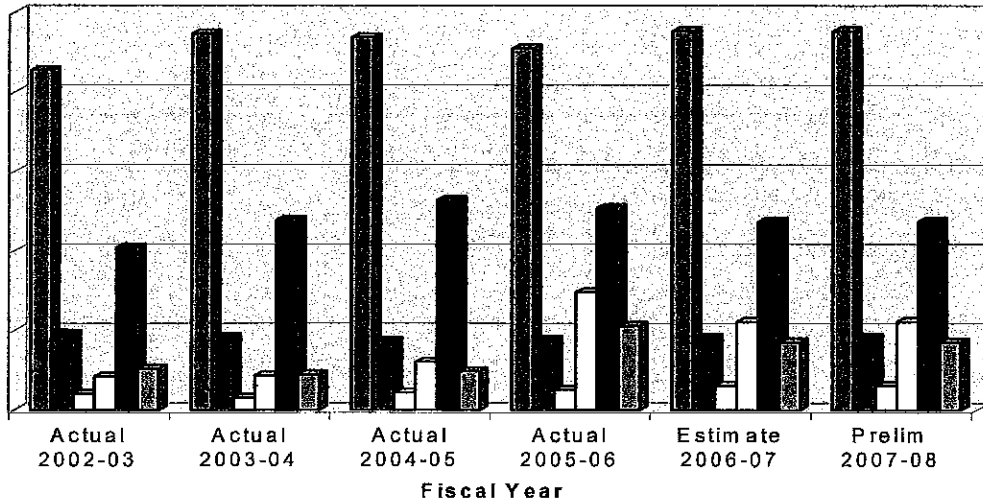
Annual Dues Collections and Amenities Spending FY2003-2008

The first chart shows the relationship between dues collections and Resort amenities spending. The deficit shown indicates that ALL of the membership dues are spent on the amenities.



Resort Amenities Spending FY2003-08

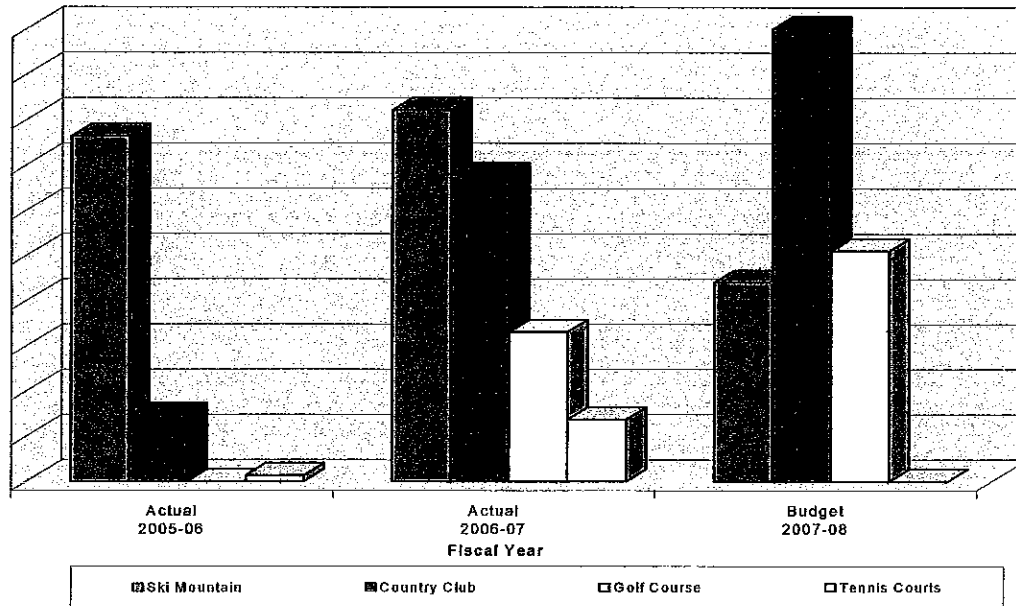
With respect to relative spending, the Ski Mountain has garnered the bulk of amenity expenses over the past five years. Shared expenses include allocated overhead expenses for executive, accounting, human resources, information technology and legal services.



| | | |
|------------------------|-----------------|------------------------|
| Ski Mountain | Golf Course | Other Summer Amenities |
| Insurance & Prop Taxes | Shared Expenses | Membership Admin |

Resort Capital Spending FY 2006-08

The Ski Area was the beneficiary of the bulk of capital spending in FY 2006 and FY 2007. Golf Course improvements were made in FY 2007 and will continue into FY 2008. The impact of the Country Club may be seen in the FY 2008 projection.



Jack Fuehr presented the Audit Committee report. An audit is currently underway and should be completed in August 2007. The audit will include a review of the dues collection process, the disbursements from the Discretionary Fund on the amenities, the AAFPO Administrative Fund and the E/ACC Account. This will be the first outside independent audit in the history of AAFPO.

Pete Carlson then reported on the status of the Public Improvement District (PID). This process has been underway for two years. The Resort, acting on behalf of the property owners, submitted a proposal on July 7, 2006 and an amended proposal on April 6, 2007. The Angel Fire council scheduled a public meeting for July 2, 2007 to discuss a resolution to continue with the PID process.

Jack Fuehr then presented the results of the election of Board members. Over 680 ballots from property owners “in good standing” were received. This marked the first quorum since 2002. Barry Rogers, Joan Ronchetti, Lovelle Upton and Chuck Verry were elected to three-year terms on the Board of Directors. Alice Gooden of Albuquerque selected Michael Sumple of New Milford, CT as the winner of a one-year Base membership.

After a brief question and answer period, the meeting was adjourned at approximately 3:30 PM.