

Letter from the President
Skier's Edge Condominium Association, Inc.
Board of Managers
September 26, 2005

Dear Fellow Owner:

As many of you are aware who attend the Annual Meeting of Owners of Skier's Edge Condominium Association, Inc. (the "Association") this past August, your Board of Manager's ("BOM") had elected to make a change in management companies from New Concept Management ("NCM") to Vacation Resorts International ("VRI"). This change was driven by your BOM's increasing concerns about the ability of NCM to assist the Association in overcoming the many challenges it continues to face.

VRI is one of the largest independent management companies in the vacation ownership industry. Its principals have been continuously active in the hospitality business since 1964. VRI currently provides full management services to vacation ownership resorts that contain over 4,000 residential units. VRI also provides various levels of management services to whole ownership condominiums, hotels, and clubs, bringing the total number of owners/members served to over 225,000.

VRI provides supervision, under the guide of the BOM, for all day-to-day functions. VRI also handles the accounting, billing of maintenance fees, and reservations for all owners. Additionally, our front office uses VRI's System 9900 computer software for all guest functions: check-in, housekeeping, etc. Your BOM is extremely excited and encouraged by the level of professionalism, reporting, accountability, and guidance that VRI is bringing to our Association.

As your BOM, we rely upon the Association's management company to carry out the instructions and policies of the BOM, and to conduct the Associations business in a manner consistent with its Declaration of Condominium, By-laws, and Rules and Regulations. With the change over to VRI, the BOD has been made aware of a number of disturbing and alarming matters which appear to have not been handled properly in the past nor brought to your BOM's attention. Please understand that as your elected BOM's, we rely upon our observations, confirmations, and the reporting we receive from our management company, to confirm that our Associations' business is being conducted in a fiscally responsible fashion.

These problems, which have recently come to light, caused your BOD to seek the immediate advice of legal counsel. Please understand that, upon the advice of legal counsel, the BOM may not elaborate upon these issues as its investigation is ongoing. Rest assured that the Association will exhaust all efforts to protect the investment of each Skier's Edge owner and to seek full recovery as may be allowed by law.

It has recently been brought to our attention that the Common Area Property Taxes were not paid for the years 2001, 2002, and 2003. This was a surprise to your BOM as it received no indication from NCM that there was a problem in the payment of these taxes, much less that they had not been paid. A third party organization has stepped in and paid the back taxes, and has applied for a Treasurer's Deed. This means that the Association has less than six months to repay these taxes and thwart the third party organization's attempt in this hostile takeover. The outstanding taxes, with penalties and interest, are approximately \$123,000. If the Association does not make this payment on time, it will lose OWNERSHIP and CONTROL of the Skier's Edge's common areas. In short, this means we will lose the A-Frame and the adjacent common area buildings including the pool, spa, game room, weight room, office, lobby, and laundry and maintenance areas. The Association's affiliation with Resort Condominiums International, and all owners' exchange privileges, would most likely be immediately suspended and ultimately terminated.

Unfortunately, your BOM has also been made aware of additional problems discovered by VRI. Our Association's Bad Debt Expense (this is the expense attributable to delinquent owner's that have not paid their maintenance fees and assessments) is much higher than previously reported. This is the direct cause of our Association running out of operating funds this past May. What this means, is that our Association has been paying current year's bills with future year's money AND our Association has had to borrow from Replacement Funds designated for the repair and renovation of the units and common areas to keep the doors open. This problem was not previously reported to your BOM. Your Association's Bad Debt Expense for 2006 is projected to be \$190, 200 which represents a delinquency rate of near 30%. Rest assured that with VRI's assistance, all delinquent owners are subject to stringent collection policies, are denied usage to the Skier's Edge, have significant penalties and interest added to their accounts, and every effort will be made to rent delinquent owners' space to offset these delinquencies.

Finally, Fellow Owners, much to your BOM's dismay, it has been informed by VRI that our Association's past-due Account's Payable and liability to our suppliers of goods and services is approximately \$262,900.

What all this means to you, your BOM, and your fellow owners is that we have some rough road ahead as we will need to raise the annual maintenance fees to ensure that these deficits and obligations are recovered. Maintenance will have to be significantly increased for 2006 but **THIS DOES NOT MEAN THAT YOUR FUTURE YEAR'S MAINTENANCE FEES WILL REMAIN AT THIS LEVEL PAST THE 2006 OPERATING YEAR.** Unfortunately, the Association has to pay the delinquent taxes early within the first quarter of 2006, and it must ask that each owner begin payment of their 2006 maintenance fees earlier than in the past.

Enclosed within this mailing you will find your 2006 Maintenance Fee Statement as billed by VRI, the 2006 Operating Budget, and the 2006 Assessment Billing and Collection Policy (the "ABC Policy").

The Maintenance Fees for 2006, by unit type, will be as follows:

Studio -\$607 One Bedroom \$968 Two Bedroom \$1,202

Pursuant to the ABC Policy, you may pay your 2006 Maintenance Fee in two (2) installments. Owners electing to pay in two (2) installments will be charged a \$25 processing fee. Your first statement will be mailed by VRI on or about October 1, 2005 and is due upon receipt. Please refer to the enclosed ABC Policy for further detail.

The second Half of the 2005 Special Assessment is still due in July, 2006, unless you have already paid it in full.

The BOM realizes this increase in maintenance fees will cause many an undue hardship. Rest assured that the Association and VRI will do its utmost to assist each owner. However, please understand that the terms of the ABC Policy will be **STRICTLY ENFORCED** out of fairness to those owners making timely payment and under the Associations responsibilities as set forth under its project documents.

The BOM and VRI realize this increase in maintenance fees is unpleasant and unfair to those of us who have already paid so much. Certainly, none of us expected to encounter these types of problems when we purchased our vacation ownership. We can all agree that we honored our contracts and paid more than our fair share. No one can dispute that. But the fact remains, if we don't support this increase in assessments and save ourselves, no one else will. We must not let the emotional issues of the past hinder us from moving forward today. The problems facing our Association were not our doing, but they are ours to solve. The decision to increase assessments to address these problems wasn't made on a whim, but only after consideration of the cold hard facts. We are all at a cross roads in the future of Skier's Edge. The BOM and VRI can only present what we feel is our best alternative to go forward. You must make the decision to support our efforts. Through payment of these increased maintenance fees you will protect your interest in Skier's Edge, restore the Association to a firm financial foundation, and provide for the renovation and refurbishment of our timeshare units to a "near new" condition. **YOU MUST NOT LOSE HOPE! THERE IS LIGHT AT THE END OF THE TUNNEL! THE SUCCESS OF THIS PLAN MEANS A FINANCIALLY HEALTHY AND FULLY RENOVATED SKIER'S EDGE.** That's what we have all been working toward the past years, and what we as owners certainly deserve.

On behalf of the BOM, I sincerely apologize to all of the owners for having to report this unsavory situation. Again, you as owners have the right to receive all information and ultimately you will. However, upon the advice of legal counsel, the BOM cannot provide more detailed information at this time. Your BOM promises you that a full accounting to the ownership will be made once all the facts are known.

For those of you that were able to attend the Association's recent Annual Meeting you were able to see the improvements that were recently made to Skier's Edge. A new heavy duty liner was installed in the pool and the pool heater was replaced with a new

computerized unit. All of the unit windows were replaced with new double pane storm windows that make the rooms much more quiet and warm, and the siding has been replaced with a new concrete stained siding that will last 30 years and makes the building look great! The Association also completed the prototype unit remodel of the three units slated to be completed this past year. These new units are fabulous and management is receiving rave reviews from owners and exchange guests alike. The hallways have been repainted and finished. A new commercial washer and dryer, and ice machine have been installed. The Men's bathroom office and the bathroom by the pool have been remodeled.

On the schedule for this next year, the Association plans to replace the A-Frame roof and to continue to remodel and upgrade the unit interiors. We will remodel the Ladies Bathroom upstairs; replace the decks in front of Units A and B, and the wheelchair ramp on the back of the building.

Your continued support, as always, is greatly appreciated.

Sincerely,

Michael P. Monk

Skier's Edge Condominium Association, Inc.

Mike Monk

President

Enclosures as Stated