

MINUTES

MEETING OF JANUARY 26, 2015 Incline Village General Improvement District AMENDED

The meeting of the General Manager's Diamond Peak Master Plan Steering Committee was called to order by General Manager Steve Pinkerton on Monday, January 26, 2015 at 3:00 p.m. at the IVGID Boardroom located at 893 Southwood Boulevard, Incline Village, Nevada.

ATTENDEES

Steering Committee Members present were Bruce Simonian, Robert Olmer, Al O'Connor, Charlie White, Bill Echols, Jess Jameson, Brian Hrindo, Liz Harrell, Judith Miller, Eric Severance, and Shane Johnson. (Andrew Jaine, Steve Pulver, are absent)

Members of the public present were Kevin Lyons, Michael Durand and others.

Members of IVGID Staff present were IVGID General Manager Steve Pinkerton, Diamond Peak General Manager Brad Wilson, and Parks & Recreation Director Hal Paris

1. WELCOME

The facilitator, Deborah Prout, gave a brief recap of the prior meeting. She introduced Eric Severance. He spoke about what he wants to bring to the committee. He introduced himself and his experience, 24 year resident of Incline, 3 girls, 20 years in resort/ski business. Previously was General Manager here at DP and at Northstar; investment advisory business currently. Have opportunity to take a big picture view – 20 year horizon, we are privileged. Will contribute with his background and work collaboratively.

2. Brad's Presentation

Brad introduced himself. This is Brad's 4th season. This is the 4th drought year in a row. Brad is a homeowner in Incline Village with 3 children in the Incline Schools. He has 42 years experience in hospitality business; experience range from ski shop to marketing throughout his career. He has experience in operating such as rental/retail/golf course/ski, and worked as the Marketing Director and CEO for hospitality businesses in Catalina.

Why do we need a master plan?

- Serves as a blueprint for future development
- Required by governing agencies
- Explores opportunities for maximizing existing winter business and the potential for new revenue generating activities
- Provides the opportunity to leverage an underutilized Community asset

- The life span of most Master Plans is +/-10 years
 - We are currently operating off of a 29-year-old plan
 - The Plan has served the resort well

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- The addition of the upper mountain terrain along with improvements in snowmaking are why we are still in business
 - All viable elements have been built
 - A lot has changed over the last 3 decades
- Climate Risk: Greater capital investment is necessary to stay in business
 - Those resorts that have not continued to invest in capital improvements are no longer operating or are the resorts that are currently closed (Badger Pass, Dodge Ridge, Donner Ski Ranch, Mt Shasta Ski Park)
- Consolidation of ski areas, how do we stay competitive?
- New opportunities- 2011 Congressional decision on USFS to allow Summer Ops
- Service levels are driven by the market, the resort can't be sustained by local/resident business alone
- An under utilized asset that the community has already invested in:
 - IVGID's largest recreational investment sits fallow 7 months of the year
 - Food and Beverage outlets
 - Chair lifts
 - Child Ski Center
 - Mountains access to regional trails (Flume and Rim Trails)
 - Base area space

Process leading to the Master Plan

- January 2013: Invited SE Group to look over operation
 - They are in the area working with many resorts around basin
- Resort DVAT created to look at the potential of updating the Master Plan
- DP GM worked with SE Group to develop scope of the project
- SE Group presented to the board outlining Diamond Peak's future needs and opportunities
- Board Authorized SE Group to proceed with updating Master Plan

Master plan guiding principles

- Improvements need to be Community-focused and fit within the character of the community
 - Much different process than a for profit, privately owned facility
- Master Plan concepts should assure that the resort will not be 100% dependent on the winter ski operation
- The Master Plan includes new revenue sources that also operate in winter, helping to offset poor snow years
- The addition of new activities and amenities assumes NO increase in the Recreation Facility Fee
- All new activities should provide a strong ROI
- Summer activities will be added to reduce the financial risk of poor winters
- Summer weather is more consistent and reliable
- Summer is high season in Lake Tahoe

Scope of Project

- Once board approved:

- SE Group developed winter recommendations after spending several days at the resort
 - Using best practices from around the country, such as:
 - Recommended seating; comfortable carrying capacity; suggested square footage for each aspect of the operation; breakdown of terrain; parking capacity
 - Grading enhancements
 - Worked closely with DP GM and Mountain Operations Manager
 - Shared findings with Ski DVAT
- Evaluated other potential opportunities for enhanced off-season revenues
- Developed list of potential summer activities
- Created survey to determine what the community would like to see at the resort
 - Knowing activities will need to be tailored to the needs/wants of the community

Community survey

- Open House gave examples of all of the potential activities possible at the resort
- The Survey asked which of these activities fit with the communities vision of the resort
- Available as a hard copy to pick up at the July 7th 2013, Open House
- A survey was available on the website Summer 2013
- Advertised through local publications, PW newsletter and social media
- Sent email invitation via the Diamond Peak subscriber list of 21K
- Flyers distributed at the Recreation Center
- 700+ took part in all or a portion of the survey
- 500+ completed it in its entirety
- 54% Full-time Residents
- 29% Part-time Residents
- 15% Vacation/Special Events
- 2% Business

Results from survey

Diamond Peak is first and foremost a community resource.

Members of the community:

- Are interested in recreation-based activities at Diamond Peak, particularly trail-based and connecting to the larger regional trail networks (Rim/Flume trails)
- Recognize the beauty of Snowflake Lodge and support enhancement of the facility
- Feel very strongly that Diamond Peak maintain its natural beauty and not become a high-energy, amusement-oriented destination
- Are concerned about traffic and noise issues related to the location of Diamond Peak
- Community does not want to pay for additional facilities at Diamond Peak (no increase in the Rec Fee)

To support the survey findings new operations will seek to:

- Focus on mountain recreation that supports an active lifestyle
- Maintain and enhance the community use of the facility

- Preserve the scenic beauty of Diamond Peak
- Balance community use and additional visitations that will provide the necessary revenue for continued and enhanced financial viability of the operation year round

Results from the survey

PROPOSED SUMMER ACTIVITIES:

Each of these activities have different financial consequences

- Enhanced use of new Snowflake Lodge 83%
- Biking and Hiking Trails 67%
- Canopy Tour 56%
- Aerial Challenge Course 55%
- Bike Skills Park and Pump Track 52%
- Mountain Coaster 50%

PROGRAMS

- Other opportunities partially taking advantage of existing facilities. These include:
- Kids camps: Utilizing Child Ski Center and working with the Recreation Department's kids programs, local schools
- Adult camps (skills oriented) Mountain Biking; Challenge Course; Climbing Wall
- Team building: Huge opportunity for corporate groups
- Physical Education: Introduce local school kids to hiking, mountain biking, climbing, challenge course and Canopy Tour
- Educational programs/environmental education; work with local schools and SNC to establish educational programming

EVENTS

Opportunities include:

- Small-scale races: Local running and mountain bike races
- Arts and Craft festivals
- Entertainment at Snowflake Lodge (mainly to drive business to the new facility)
- Special events: Weddings, retreats, fundraisers, meetings, etc. at Snowflake
- Events:
- Small scale races: local running and mountain bike races
- Arts and crafts festivals
- Entertainment at Snowflake Lodge
- Special events: wedding, retreats, fundraising, meetings

Where's the Market?

Once the activities for summer were identified, SE Group hired the research firm of RRC and Associates that specialize in Recreational and Hospitality oriented data gathering. They came up with the total visits to the region and through their prior research with other destinations identified the expected **capture rate** from each of the three categories. Taking into consideration that other resorts may add these types of activities.

Proforma

- SE Group and RRC Associates relied on previous experience for market size, capture rates, yields and visitations
- SE Group estimated revenues using projected visitations and rates
 - 105 days of summer
 - Drawing off of results from other ski areas
 - Conservative visits using lower than industry average utilization

Phasing Strategy

Based on the assumptions that this needs to be a self sustaining plan:

Phase One- \$4.02M capital cost

- Provide new amenities & activities for the community/guests
- Prioritize revenue-generating activities to generate upfront NOI to offset the capital costs of subsequent phases

Phase Two- \$6.2M capital cost*

- Prioritize rebuilding Snowflake Lodge and improving base area activities
- Timing of Phase 2 implementation would be triggered by cumulative operating income from Phase 1
- Phase 1 would pay for roughly 1/3rd of Phase 2

Phase Three- \$5.5M capital cost*

- Focus on improvements for winter operations (examples would be replacing the Lakeview lift, adding increased snowmaking, putting a lift in the mid-mountain Spillway area)
- Phase 3 would be funded by cumulative operating income from Phases 1 and 2

Phase Four- \$2.5M capital cost*

- Includes 'Backside' lift and associated trail work
- Phase 4 would be fully funded by phases 1-3

***Phase 2, 3 and 4 would not be implemented until revenues reach desired funding level from Phase 1**

- Phase 1 revenue pays for 1/3 of phase 2 by the third operating year
 - If revenue does not meet projections, phase 2 would likely be delayed or eliminated
- Combined phase 1 and phase 2 revenue pays for all of phase 3 by as early as year 7 and phase 4 last

Next steps:

- Refining Plan with IVGID Board weighing all impacts:
 - Traffic
 - Noise
 - Environmental
 - Aesthetics
- Refinement of Financials
- Regulatory process
 - TRPA
 - US Forest Service
 - Washoe County, add to Area Plan

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Facilitator, Deborah Prout reminded the group some ground rules. She said we aren't boxed in by the presentation.

Bruce Simonian said there are uncontrolled activities at Diamond Peak during summer and having control would protect trails and PDLs from entering into the lake. He said we need an environmentally sustainable plan and take a look at what we aren't doing well and where do we need to improve. He said we need to have our eyes wide open with ideas and think about things that need improvement rather or not the summer plan moves forward.

Brad Wilson said the SE group came with their experts; they came up with interesting ideas and opportunities example grading Ridge Run to a novice trail. It would spread out the beginners. It would help with the success. Brad Wilson talked about School House and Lodgepole as beginner trails. He said there was another lift in place (Blue Dolphin), which would have been good for beginners. Now, the transitions for beginners are difficult; it's too steep.

Bill Echols talked about the impact will change the character of Incline Village; he said we are already packed during the summer. Building another attraction would change the character of Incline Village. He said his peer group, the retirees, moved here because it's not like the other resort communities. This will move Incline into a tourist community more than we are. The board needs to look at the character of the community.

Deborah Prout asked what has happened to tourist traffic over the last years. Are we below historic levels?

Charlie White said to review the sewer levels and tracking.

Bill Echols there will be big crowds, traffic, and noise during summer months. He said we have some averages with peaks and lows; it will increase the madness and crowds. He said they have had to fight with beaches, and this is the same idea with opening it up to everyone. He said we need to find out what the property owners wants to fund and what they want to turn this city into before we decide if we want a zip line.

Jess Jameson asked what were the values around putting this master plan together. People will continue to come to Incline whether or not if they are residents or visitors. She said she is interested in understanding the sewer and beach numbers; she said we need to protect our community.

Robert Olmer said there are mitigating factors to lower sewer usage; the Cal-Neva hasn't been online for several years. He said most resorts put in additional amenities. Northstar and Squaw have a captive audience. He said we are different, and is this a good fit for us.

Charlie White said what is the character of IV? He said he isn't sure we would agree on that. He said he doesn't like the crowds on 4th of July, however, he said the businesses are doing well.

Facilitator Deborah Prout said can we agree on what the character of Incline is now or what it wants to be?

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Bill Echols said he thinks we should put it up for a vote for the community to tell us what the character is. It's a big mistake not to ask them. Give them the pros and cons. Do we want to pursue summer operations?

Charlie White said the reality of surveys is different. We only got a 3% return on the email survey that was sent out.

Shane Johnson said we could do a statistical analysis with demographic cross section.

Al O'Connor said there are fundamental questions we need to agree on at least 4-5 of those questions. This is a complex plan. He said he thought it was a flawed plan. He said he went through the numbers, and don't believe the numbers; there is no precedent for these numbers. He said we need to make some common sense and come up with better numbers based on all of our experiences.

Shane Johnson talked about the proforma. He asked about RRC and their prior research data. He said he'd rather cut revenue in half and double the expenses. Brad Wilson said we already did that.

Eric Severance said 'who are we' discussion has been a 20 year discussion. 2020 vision discussion is another resource with helping us with what we are looking at and where we are going.

Shane Johnson said we should look at financing, risk mitigation, and insurance, and figure this out so homeowners don't have to foot the bill.

Judy Miller said it isn't the responsibility of the G.I.D. to fill the restaurants. They are here to serve our recreation needs. It's for us. Why are homeowners being assessed a fee. She said we are told we won't have to pay for it, but the risk is there. To conduct this study, the money came out of the pockets of the rec fees.

Liz Harrell said DP is already 85% tourist; this isn't just an IVGID thing. We need to look at Diamond Peak differently. We need an objective for our committee.

Steve Pinkerton said our objective is to have this dialogue. The goal is to get into this with more detail; understand the noise and traffic impacts; look at the financials more. He said this isn't the finished product. Steve said we are doing our due diligence. This is the first cut, and we are getting ideas. We need to do more analysis and data for basing our opinions.

Bill Echols said he read the plan and board packet comments. He said the word 'implementation' appears too many times in this plan. It's should say 'study.' The forest service permits are already in the budget. He said this is already moving down the road.

Deborah Prout asked if we need to tell the board to slow down the train. It's within our preview of this group to tell the BOT to slow down.

Al O'Connor said we need an objective; we give feedback on 4-5 areas. If you base the future of the resort on the summer activities, it is a big mistake.

Bruce Simonian said he wanted clarify on the issue of the parcel owners being on the hook for this endeavor. He said the District has paid off the municipal bonds for golf and The Chateau. No one was on the hook for bad decisions. Bruce said we have had a fiduciary responsibility and we have done very well. History has shown that the community hasn't been on the hook for bad decisions.

Bill Echols said he objects to Bruce's comment. Every venue loses money; if it wasn't for the tax subsidy. If we were a business, none of this would happen.

Bruce Simonian spoke about the current CIP; he said we have been able to hedge our bets and been on top. They have been paid for, and don't want to make the same mistakes going forward. We have been able to weather these storms and we were a solvent municipality during the depression. We have increased our property values because of our assets.

Jess Jameson said she would like to take a step back and go from last week's discussion; it would be great to go over our common values and concerns to move forward. We are delving into different areas. We need to narrow the scope.

Deborah Prout said she didn't think this group would want to decide what the values are on the behalf of the entire community.

Robert Olmer asked if phase one fits the community. It is up to us to sort this out. Does the community want to underwrite phase one. He asked Brad Wilson, during the winter time, when the coaster would be open – Brad said weekends and holidays. Robert asked how do other ski resorts do it? Brad said 10% of skier visits ride the coaster. Robert asked about summer? Brad said 105 days of summer – holidays and weekend, June, July, August would be 7 days a week during peak. Robert asked how about parking and displacement? Brad said much like snow play, it would mostly in the afternoon; it's to take advantage of those people already here. This will give them alternative activities.

Deborah Prout reminded the audience we aren't making it an open feedback session. We need to decide about if we want to have an open meeting.

Eric Severance talked about the viability of DP and asked, would you build a DP here today? There are financial metrics to get to that answer. Would it be financially viable if it was privately run? Other metrics to consider would be community value benefits. There is an appetite to understand the value. We need strategic planning for the long haul. Do we have a foundation to build on?

Deborah Prout said we need to ask the question, 'what is the value of DP to this community?' 'Why do we care about DP?'

Bill Echols said let's put it to a vote. He said he was ok with it being here.

Judy Miller said she thought Eric's question was interesting; would they build a DP here today? No. No business would do that; the community might value it, but we need to have a clear

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understanding of the financials. What are the revenue and expenses? Need a true picture of the financials with profit and losses.

Deborah Prout said there is a larger surface question; 'what does Diamond Peak mean to us? Why do we have DP?'

Al O'Connor said all he hears about is this place is how it loses money. He said he moved here for the facilities and he is willing to pay for it. It's an outdoor community. He talked about excess capacity. He said we hammer the trustees about breaking even. In general, most people like the fact that we have amenities and we have to pay for it.

Eric Severance said there are "sensitivities" when it comes to Ski (DP). It's a balance between for-profit goals and community needs/resident accommodation. Certain operational / economic factors are driven by (Board) policy [and the community needs to understand/recognize that]. You can get it (DP) to make money; but the residents might not be happy with the impacts to their experience (rates, access, density).

Charlie White asked if this would be a different conversation if we had a good ski year for last 3 years.

Deborah Prout spoke to Al's premise and said most people are happy to have amenities whether or not they use them to a certain degree.

Brian Hrindo said we aren't here to say DP should shut down. We aren't having that discussion.

Deborah Prout asked if DP is a value to our community. Most everyone said yes. Bill Echols said we don't represent the community; none of us do. Let's find out what they want.

Shane Johnson said he uses DP once a year, but doesn't want it to go away. How do we go forward?

Bruce Simonian said the consensus – is DP a value to our community? Forget about the outside stuff. We are accumulation of our friends and colleagues. We need to come to a grassroots understanding of why we are here. How do we protect that value moving forward. It might not be summer operations, but we are stewards of the environment.

Deborah Prout asked if we all moved here for the amenities.

Robert Olmer asked if we do phase one, and it fails, what is the viability of keeping DP if the phase one fails?

Deborah Prout said that is jumping too far into the plan. We are figuring out the basic premise. Help us understand the economic viability of Diamond Peak.

Al O'Connor said it's a reasonability priced, family oriented, that is one mile from everyone. It's not like other big resorts. It's a community resort.

Liz Harrell said DP has amazing views and fits a nitch.

Bruce Simonian said nobody wants to take a loss; kudos for Brad Wilson for the past 4 years; we have a great community who is serious about doing the best in every scenario.

Brian Hrindo said the holidays are still making money; Diamond Peak had their record December. It's an asset even during the worse years, people are still coming. It is a value to our community and businesses.

Bruce Simonian said when those people come to DP they go to other venues and businesses. Supporting the people who live here and without it, it would be a ghost town. It's not our business to sustain businesses, but it's a value of this ski resort.

Deborah Prout said it's also about the quality of life not to have to go 30 miles to grocery shop. Help us understand better the viability of DP so we can embrace or put to rest topics.

Benefits of DP:

- Commercial businesses
- Holiday
- One mile from home
- Comfortable environment for families
- No out of control populous
- The views
- Used by families

Al O'Connor said he wasn't aware that losing money was a big issue. He said we can't worry about long term weather. It's not a true perception of the community to be concerned about losing money.

Deborah Prout said we need to have the understanding of the financials; know the facts. You are in a position to give the facts. Understand it relative to other resorts.

Steve Pinkerton said he thinks we can give you some representative of numbers.

Robert Olmer asked about making money over the past 10 years.

Steve Pinkerton said we are paying off bonds, earnings, and depreciation and endeavoring on other venues.

Eric Severance said we need to use industry standards to compare to others in a 10 year average; how do we do so we can understand if we have a viable ski resort and how it shapes up against others.

Deborah Prout said economics – what we might need to do to bolster things as they are now. We need the characterization of the economics so we can put this to rest.

Bruce Simonian asked how we protect the value of our ski area.

Charlie White said we need to understand the level of protection and investment required.

Deborah Prout asked what this asset's worth is to us.

Bruce Simonian asked how do we protect our assets and protect our real estate values in an effective way so we don't have deteriorating infrastructure.

Steve Pinkerton said we are limited to being a GID. We are responsible for that \$6 billion in property values if we shut down that ski area. For those who live across the street from the resort, would we have 10% drop in value? \$600 million out of your pockets just because you don't want to pay for a \$20 raise in the Rec fee.

Judy Miller spoke about the Rec fee. Each property gets assessed the same which is something to consider. It's not about having it next door; there are other resorts close.

Al O'Connor said we need to agree on fundamental questions that we are going to address. We need to look at the big pictures and not go through the weeds.

Deborah Prout said we need to decide on the core questions.

Charlie White said it would be great to decide what we need to know to move forward with deciding on topics and ready to make decisions. We want to see the Diamond Peak financials.

Bill Echols said we want financials, amortization, depreciation. We want Gerry to come to give a formal presentation. We want the bigger picture. We want the comparables to the other resorts. Past 10 years of budgets with nuts and bolts.

Robert asked for how skier days are counted? Brad Wilson said they scan every pass is scanned at the lift. It's actual numbers.

Deborah Prout asked Brad about scan methodology changed over the past few years. Can you go back historically and show this? Brad said yes.

Eric Severance asked about spot checking and scanning. We found that those held up well. 10-20 year review.

Al O'Connor said he wants information about other summer operations at other resorts.

Deborah Prout said we all need the same level of understanding on what makes Tahoe different from other resorts.

Al O'Connor said he would like to look at those resorts already in the business. Get additional outside information. He did some research of other resorts.

Charlie White said the SE group's study is based on that.

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Steve Pinkerton said we need to find a way to better educate everyone on it. SE and RRC might not release data from other venues, but we can work with them. There are industry reports. We need to present the finances.

Charlie White said we need to give a meeting a purpose. We are asking for certain information.

Steve Pinkerton said moving forward with upcoming meetings we will review the finances, and how we came to the finances for summer operations; that should be enough for the next two meetings. We can get into other issues.

Bill Echols spoke about the Master Plan. He said he has questions about the plan, and would like to get everyone's question to Brad and Steve and go over this stuff. We can have a Q&A session. Pick away at assumptions.

Steve Pinkerton said he wants to go through financials before the weeds.

Jess Jameson said Shane brought up a great point. The master plan felt like a business plan. There is a lot of positioning for future development. It felt like it was moving towards community vision and pulled away. We need to set something in motion for a new master plan. Are we going to provide feedback for this master plan? Everyone said yes.

Eric Severance said we can determine what's missing in the plan. We have a great opportunity for 20 year visioning for big strategic planning; what does it look like and work backwards.

Jess Jamison said financials are so important, but don't lose mission and vision. Address those before jumping to weeds.

Eric Severance said there are already guidelines or shackles for this plan. When you have phasing with dependencies for future phasing we are modeled around that with financing and it becomes a business plan. When take those off, we can see a different scenario.

Al O'Connor said we should have hierarchy of how we talk about it. View it as winter versus summer part.

Deborah Prout said we want to review the historical financials. What's happening now.

Liz Harrell asked what are we doing with the financials once we review them?

Deborah Prout said we will understand the financials to give us baseline information and understand the economic viability. Understand the financial condition of DP so we can lay it to rest.

Steve Pinkerton said there are misnomers of how we finance everything. This is a more global picture of our financial statement. We need to understand. We have debt coming off the books within the next 4 years. Look at range of numbers and better idea of how we move forward.

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Deborah Prout said we need the same base line information – everyone will understand the current state of finances. Then we will be able to get into the weeds after we discuss the finances.

Judy Miller said we need to look at all the other CIP on 5 or 10 year schedule. We are going to start putting ourselves in debt and bonds, not just for Diamond Peak.

Steve Pinkerton said he will go over the competing needs for this money.

Shane Johnson said the master plan should be related to the entire community, not just Diamond Peak.

Jess Jameson asked if there are any additional strategic plans or 2020 or board audits, IVGID vision/mission or anything strategic, we would like to see that.

Deborah Prout stated Tahoe Prosperity Center – status of the region wide with larger factors. That might be interest to everyone.

Eric Severance said the North Tahoe Resort Association has interesting data reports.

Bruce Simonian said Cal Neva, Boulder Bay will be coming to the community; several thousand people a day increase.

At 5:06 p.m. the meeting was adjourned.

Respectfully submitted,

Misty Moga