



Message from Michael

Aspen Lodge is now just days away from completion. The landscaping crew is busy at work and the pool area will be open and ready for use before the end of the month. With that all said we are now just days away from starting to receive the first of our Certificate's of Occupancy on the condos. During the last week of July, closings will start to occur in Aspen Lodge. We anticipate having everyone in for the 2nd week of August.

Just as one building is clearing the final hurdle and looking like the finished product another is starting to take shape and start to go vertical. Emerald Lodge is starting to take shape above the massive underground parking structure. The framers will start their work within days now that we have the foundation in place. We are pleased with our timeline now that we have passed through one of the most critical construction periods with no delays. The completion date of September 2007 is still looking to be very achievable.

One major and very exciting event occurred just last Friday (7/14/06). Below is an article that ran in the Steamboat Pilot documenting that American Ski Corp has officially listed the Steamboat Ski Resort for sale. If the sale transpires, I believe this will positively affect the Town, Ski Area and Real Estate Market. I will keep you all posted on any other news or events.

Regards, Michael Hurley



UPCOMING STEAMBOAT EVENTS

3rd Annual Steamboat Wine Festival August 03, 2006 to August 06, 2006

Friday: Seminars from 9:30 - 3:00pm, downtown Stroll from 4:00-6:30pm; Saturday: Seminars from 9:00 - 2:00 pm, Mountain Grand Tasting from 3:00-6:00

The 3rd Annual Steamboat Wine Festival continues the tradition of Celebrating the Senses! As in previous years, the event will feature wine seminars and wine maker's dinners throughout the weekend. The Saturday Grand Tasting continues its stay at the Torian Plum Plaza. However, new this year are additional food and wine events including: Kickoff Reception on Thursday night at the top of the Gondola at Thunderhead. Drink fine wines paired with exquisite foods. Talk to wine makers and our international wine panel. Participate in our live auction featuring some great trips and fabulous art work. On Friday, the new Stroll of Steamboat will have patrons and their glasses meandering through downtown Steamboat Springs sampling over 400 wines and food at a variety of locations. This casual tasting is a great way to sample a variety of wines and experience the beauty of downtown. Finally, Saturday's Grand Tasting at Torian Plaza gets even bigger and better. Music and the Steel Chef competition both take place at this event. A silent auction will be on hand to tickle your purse strings. And, be sure to stop by and see internationally acclaimed chef Richard Sandoval (Maya, NY), Pampano (NY), Tamayo (Denver), and Zengo (Denver and Washington D.C.) as he performs for the festival. For more information contact us at 877-328-2783 or visit us online at www.steamboatwinefestival.com.

Tour de Steamboat - Century Road Ride August 12, 2006

Location: Meadows Parking Lot

The revived Kent Eriksen's Tour de Steamboat is a throw back from Kent's races back in the 80's. The Tour features a century ride that covers Rabbit Ears Pass, Gore Pass and Yellow Jacket Pass. For more information and to register call 970-879-0480 or visit www.rocky-peakproductions.com.

2nd Annual Steamboat Triathlon August 27, 2006

Location: Lake Catamount

The beauty and grandeur of the Yampa Valley and Steamboat Springs welcomes the triathlon world on August 27, 2006. With spectacular mountains as a backdrop, triathletes will swim 7 mile in beautiful Lake Catamount, ride 20 miles on mostly flat paved roads, and end with a 4 mile run on mixed pavement and dirt roads. As with all 5430 Sports events, the Steamboat Springs Triathlon will be more than just a "local fun run." Registration is open now. For more information check our website.

18th Annual Rubber Ducky Race September 16, 2006 (10:00am)

Location: The Yampa River from the 5th Street Bridge to the 12th Street Bridge

Join the ducks for fun September 16th at 10:00 a.m. An annual Steamboat tradition for years. The major fundraiser for the Yampa Valley Medical Center Auxiliary. All proceeds benefit our hospital through services and equipment. Buy your tickets at Safeway and City Market then follow the ducks down the Yampa to the finish line with the chance to win fabulous prizes. Raffle tickets are \$10 and there's no charge to watch the ducks race on the Yampa River between 5th and 13th Streets. For more information call 970-879-1322.

SKI AREA FOR SALE AGAIN

ASC announces it will test Steamboat's value in hot acquisitions market

By Tom Ross, Staff Reporter

SATURDAY, JULY 15, 2006

Five years after American Skiing Company last hung a "for sale" sign on the Steamboat Ski Area, it's on the market again.

American Skiing Co. officials confirmed Friday they have retained the investment banking firm Bear Stearns & Co. Inc. to market the sale of the Steamboat Ski Area. The offering includes all of the Steamboat Ski and Resort Corp.'s assets, including the management contract and public spaces at the Steamboat Grand Resort Hotel.

Steamboat is one of eight ski areas owned by publicly traded ASC, which is based in Park City, Utah. American Skiing Company CEO B.J. Fair, in Steamboat on Friday, said the process this time around is all about exploring opportunities in the red hot mergers and acquisitions market. He emphasized that the company is not selling under duress and that it is prepared to back away from the process and continue its course if there isn't sufficient interest. "American Skiing Company is coming off its second straight record year, which has created a number of opportunities for us to pursue," Fair said in a news release. "Given current positive market conditions and Steamboat's outstanding performance, the board of directors has decided to review potential alternatives with respect to Steamboat and engage financial advisers to assist in that process. "Our intent is to drive the maximum value for the company's shareholders."

All of the ski area's employees were invited to meet with Fair on Friday afternoon to learn about the process. "I wanted to make certain our employees heard about this first from me," he said. "Steamboat has so much momentum. With all the great things that have happened, I hope this summer won't be about a transaction. We are absolutely dedicated to the operation of Steamboat right now. We will continue with the capital investment projects we've announced."

The company last sought to sell Steamboat as part of the financial reorganization of debt-straddled ASC in May 2001. The sale to Triple Peaks LLC for \$91.4 million was scheduled to go through in March 2002, but ASC backed out at the last minute. Instead of selling Steamboat to a group led by Tim and Diane Mueller of Okemo Mountain Resort in Ludlow, Vt., ASC opted to sell Heavenly Mountain Resort in California to Vail Resorts.

Fair promised that offering Ski Corp.'s assets to would-be buyers will be different this time around. When ASC put Steamboat on the market in 2001, it had no choice, he said. "This is a whole different thing," he said, "This is about value creation. With the tremendous performance Steamboat has had, you have a fiduciary responsibility to say, 'Let's see if something is out there.'" Ears perked up in the ski industry in December 2005, when Mammoth Mountain Ski Area in California sold a 77 percent ownership stake to Starwood Capital for \$365 million. Fair acknowledged that the sale had an impact on the industry but said it did not have a direct connection to ASC's decision to go into the markets to measure Steamboat's value.

When Fair speaks about creating value for shareholders, he's really talking primarily about meeting the goals of Oak Hill Capital Partners, though he declined to acknowledge that. Oak Hill is a Texas-based private equity partnership founded by Robert M. Bass. Oak Hill owns most of the preferred shares of stock in the company and controls a majority of the seats on ASC's board of directors. Oak Hill's business model involves acquiring companies, turning them around, and after about five years, seeking to realize a return on their investment. "Our stakeholders have stayed with us for a long period of time," Fair said. "I think what we're examining here is whether there is an opportunity to realize the value we've created."

The company's credit agreements would require that the proceeds of a sale of Steamboat be used to pay down some of ASC's debt, Fair said. Beyond that, there are the holders of preferred shares of stock to be satisfied and then holders of common shares, which were trading at 19 cents on Friday.

Fair said if the process results in a sale of Steamboat, he would miss it on a personal level. It's clear that the loss of the revenues from Steamboat would be missed by ASC, he added. The opportunities being explored by ASC are really a natural result of the business it is in. After a sale, ASC would regroup and move forward again, he said.

When ASC abandoned the deal to sell Steamboat to Triple Peaks in 2002, the decision led to a lawsuit, which was finally settled for cash in July 2004. The terms of the settlement give the Muellers (technically Triple Peaks) 30 days to take part in exclusive negotiations with ASC for the purchase of the Steamboat Ski Area. Tim Mueller said Friday that he and his wife had not determined whether they were interested in pursuing a purchase of Steamboat a second time around. "If we decide we're interested, we'll be serious," he said. The clock is ticking on the 30 days, but the Muellers have not reviewed current financials. "The price, I'm sure, is much different," he said. "Everything is different."

The Muellers purchased Crested Butte Mountain Resort in spring 2004, and are in the midst of aggressive expansion plans. The sole investors in Crested Butte Mountain Resort, they are building a new base village and exploring a ski terrain expansion. Mueller said the events surrounding the last sale contract do not color his outlook on Steamboat. "What happened four years ago happened four years ago," Mueller said. "It's a whole new deal, and we would approach it with a fresh attitude and fresh eyes, should we go forward." Fair said ASC was committed to negotiating with the Muellers in good faith if that is the course they choose to pursue. "Clearly, we will honor our obligations," Fair said. "If we can agree on terms, then we don't have to go through this broader process."

Ski areas typically sell on a multiple of their revenues, but Fair would not be specific about what the asking price for Steamboat would be or what multiplier might apply to Steamboat. Ski area sales typically wind up before the start of a new ski season to allow revenues to accrue directly to the new owner. Fair was hesitant to declare that as his goal in the current process. He didn't rule it out, but he noted that mid-July represents a late start if a transaction were to conclude before the coming ski season. "It will take as long as it takes," he said.

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