

SAN FRANCISCO SUITES CITY SHARE ASSOCIATION

BOARD OF DIRECTORS QUARTERLY MEETING

January 21, 2008

The meeting was called to order at 11:00 AM by President Jeff Reichel. All Board members were present: Pat D'Angelo, Ben Hart, Patti Hoar, Jeff Reichel, and Larry Schwartz. Management Consultant Darren Merritt and owners Juliann Savage, Dan Beyer, Oliver Yu, Lucile and Gene Spurlock, Bill and Sue Conovar, Don Thomas, Miriam Freedman, Ginny D'Angelo, and Lynette Hart were also present.

President Reichel introduced Board members and later introduced Darren Merritt, a consultant to SFS who has recently been brought in to assist in management changes. Darren is with Boardwalk Investment Group of Walnut Creek, specializing in common association management.

Old Business

Improvement Projects

Window replacement – replacement of all windows with new high quality vinyl-clad units has been hung up by the City's refusal to approve non-wood windows in our highly visible historic structure. Wood units would be more expensive and harder to maintain. Efforts to gain City approval will continue.

Updating three "green" Parlor Suites (24, 34, and 44) – improve movement and access when beds are down; possible addition of sleeping accommodations to three or four persons. Design options are being pursued.

New kitchen cabinets for kitchen adjoining Board Room – cabinets are old and unsightly. Bids will be obtained.

Board Elections – Elections for two Board seats (Schwartz and Hart) will be at the March Annual meeting. Nominations need to be in by January 31. Ballots will be mailed to owners with candidate information and returned to SFS. In order to avoid long waits while ballots are validated and counted, the March Annual meeting will be called into session by telephone conference call on Thursday, March 6, and immediately recessed until Sunday, March 9, when the Annual Meeting open session will begin. In the intervening period ballots will be validated and counted under the supervision of election inspector Linea Juarez, a certified consultant, with two SFS owners assisting. This will take place in the Board Room. Other owners may observe.

Financial Reports

The 2007 financial summary is in preparation and must be issued within 90 days after closing. Actual operations show a small positive balance (~\$24k now) but will likely be about even when completed; although the final books will show a loss of ~\$108k due to building of our reserve account and accounting corrections for long-standing errors in the reserve accounting (window and elevator replacements were never in the reserve studies while other minor expense items were unnecessarily included).

The 2008 budget shows a modest increase and includes anticipated increased costs for management changes and other cost increases.

All our finances are now tracked on an accrual basis and are available for owners online. (Contact the front desk for access information.)

Owner Concerns

Several owners present expressed concerns that tips left for employees are properly distributed. It was pointed out that credit card-charged tips or checks made out to SFS can be tracked and accounted for; however, there is no means of tracking cash. If cash is given, it is best to give it to the employee directly. Cash in a sealed envelope with the employee's name should get to the employee. When a check to SFS or a credit card is used SFS is required to include the tip with payroll, and taxes are deducted.

Several owner suggestions will be considered by the Board:

- Name tags for all employees
- Displaying employee pictures with names
- A lock box for envelopes with cash
- A system similar to cruise ships

New Business

Management Changes – Tony Holder's departure: On November 1 Tony resigned giving his two week's notice to President Reichel. Because of the busy season approaching, Dr. Reichel convinced Tony to stay on to the end of the year to complete year-end activities (budget, mailings to owners, etc.) with a negotiated payment. The Board met on November 18 in a special executive meeting and voted to accept Tony's resignation and prepare for management transition. In the interim Tony apparently changed his mind about resigning and communicated to owners his displeasure with the Board's action. A number of owners communicated their concern and asked for an explanation from the Board. It is important to understand that the Board and its President are not only ethically, but legally, constrained from detailed discussion concerning personnel matters.

Under these constraints, and because owners need to understand (not necessarily agree with) the Board's actions, President Reichel discussed some of the history

in dealing with the Board's management concerns over the past several years. Tony had been hired initially to bring SFS back into prudent fiscal management – bring down costs and take action on delinquent owners allowed in the past to continue without foreclosure. Under the Board's direction, he did this quite well. In addition, Tony built a competent staff that appeared to be working well.

However, as these issues were resolved, the Board wanted to emphasize other areas needing attention – such as rigorous maintenance and housekeeping standards – to bring SFS up to what we all expect in a five star facility. The Board perceived that Tony resisted taking action after many reminders. The Board was also aware of a number of owner complaints not resolved to its satisfaction. Several valued employees left during Tony's management. In June, 2007, President Reichel and Treasurer D'Angelo had a frank discussion with Tony about his performance and what he must do to continue as manager. A management consultant, Darren Merritt, was brought in to help Tony and the Board to communicate better and to work to mitigate Tony's defensiveness in dealing with the Board.

These were the circumstances the Board faced when Tony gave notice. A major concern was that with Tony's departure we would lose several valued members of the team that Tony had recruited. This concern was alleviated when none of the remaining members of the management staff left with Tony's departure.

In accepting Tony's resignation the Board recognized the impact on our operation and that some owners would be unhappy. However, in balancing these costs with future imperatives, the Board believes this action is for the long-term health of the facility.

For the interim the Board will appoint an interim manager from within and recruit for a permanent manager. The job structure will be defined to accommodate the strengths of the existing front desk staff.

Owner Comments:

The Board should not micromanage.

Need for better owner relations and communication

We don't want to lose the current team.

Meeting Adjourned at 1:08 PM

After the open meeting the Board met with employees to hear and discuss their concerns.

After the employee meeting the Board met in executive session and appointed Henry Potter to be interim manager by unanimous vote.

Submitted by Larry Schwartz, Secretary

