

**MINUTES OF A CLOSED SESSION OF THE COLUMBIA ASSOCIATION
BOARD OF DIRECTORS**

June 10, 2004

CA Headquarters

**Minutes made Public by Vote of Columbia Association Board of Directors
April 21, 2005**

The Columbia Association (“CA”) Board of Directors (“Board”) commenced a closed session at approximately 9:45 p.m. All directors were present, including Maggie Brown. Also present were Rob Goldman (CA’s Vice President of Sport & Fitness), Donna DuPree (CA’s Director of Communications and Marketing), Chick Rhodehamel (CA’s Vice President of Open Space Management), Michelle Miller (CA’s Director of Community Services) and Sheri Fanaroff (CA’s General Counsel). The meeting was closed, by a vote of nine in favor and one (David Hlass) opposed, pursuant to Section 11B-111(4)(viii) of the Homeowners Association Act.

Mr. Goldman and Ms. DuPree made a presentation regarding Life Time Fitness (“LTF”), the purpose of which was to: (1) brief the Board on what staff has learned about LTF, (2) provide an analysis of the potential financial impact on CA of LTF’s opening of a facility in Gateway, and (3) offer some potential competitive responses by CA for consideration by the Board.

Following the presentation, Mr. Hlass asked for the daily patronage records for CA’s three clubs, and the percentage of patrons that are residents versus non-residents. He commented that existing women’s gyms like Curves and clubs like Bally’s are not affecting CA’s memberships. He stated that the presentation did not mention tennis or golf at LTF and noted that CA has tennis clubs and golf courses, which gives CA an advantage. Mr. Hlass also requested a comparison of LTF and CA salaries.

At approximately 10:30 p.m., Mr. Greenwood left the meeting. At approximately 10:35 p.m., Mr. Hlass left the meeting.

Mr. Coffman asked whether LTF does regional pricing. Mr. Goldman explained that the LTF prices he used in the presentation were the prices from the Centerville location. Mr. Coffman then asked whether CA has things that LTF does not have, so that CA could market its value-added features. Mr. Goldman said that CA does have such features, but explained that it is necessary to at least be in the same price range as LTF and CA could then market a small difference as value added. Mr. Goldman also noted that LTF offers discounted pricing for tennis and golf in cooperation with other facilities. Mr. Coffman then commented that the Supreme Sports Club is not well laid out, and perhaps the Board should be considering an even more major reconstruction than that outlined in the presentation. Mr. Goldman observed, however, that such reconstruction

would take some time, and that CA needs to take some action before LTF's start-up. Finally, Mr. Coffman asked about the issue of losing staff, and Mr. Goldman responded that staffing will be an issue and that LTF is likely to try and hire away CA's managers.

Ms. Russell stated that CA might lose members to LTF because of dissatisfaction with CA's clubs. She noted that people have complained to her about (1) cleanliness, (2) personnel (they are not sufficiently helpful or responsive), (3) equipment (it is not being kept clean, there is not enough available and treadmills should be available to all members), (4) programming (there are not enough special programs), and (5) unattractiveness of the facilities. Ms. Russell said that these are things that can be addressed without spending millions of dollars. Mr. O'Connor responded that CA has an enormous number of special programs and he does not believe that programming is an issue. Ms. Russell requested cost estimates to address all of these issues except programming.

Mr. O'Connor asked Mr. Goldman which of the proposals in the presentation would be his priority. Mr. Goldman said that he believes that a 24/7 operation has a lot of marketing appeal and CA could effectively eliminate LTF's significant marketing advantage in that area by doing it first. Mr. O'Connor then stated that the Board needs to look at the capital budget again and perhaps should reallocate some of that money rather than just adding more capital expenditures.

Mr. Schneider then asked the other Board members what the process was going to be to deal with the LTF issue. Mr. Feldmark responded that the Board needs to decide what will be discussed in closed and in open session. He believes that information about and a discussion of CA's strategy in competing with LTF should be done in closed session, but that membership pricing discussions could be done as part of the budget process for FY06.

Mr. Malone offered his view that pricing should be discussed in closed session, because the Board should not disclose future pricing plans that may impact current decisions by members to purchase memberships.

At approximately 11:00 p.m., Mr. Schneider left the meeting.

Mr. O'Connor proposed that at the next executive session, the Board should address the questions raised at this session. Mr. Malone stated that he thinks the Board needs to have at least one more executive session in order to make some broad decisions on priorities and a process for moving forward. That would be a strategic response to a competitive situation and should be discussed in closed session. Mr. Malone proposed that after the Board formulates that broad response at the next closed meeting and determines action items, then there would be public discussion of CA's plans. That would include public discussion of the capital budget and membership pricing.

Ms. Atkinson-Stewart suggested that it would be best to be silent until after the next closed meeting, when the Board makes some decisions, and there can then be public discussion of the Board's plans.

Ms. Russell argued that the problem with Ms. Atkinson-Stewart's view is that the community does not want the Board to present a plan, because in Ms. Russell's view the community wants to have a say in what the plan will be.

Mr. O'Connor moved to permit the directors, if asked about LTF by community members, to say that the Board is gathering information and working on the matter and will keep them posted. Mr. Marcus seconded the motion. The motion passed by a vote of six in favor (Mr. O'Connor, Mr. Marcus, Mr. Malone, Mr. Coffman, Mr. Feldmark and Ms. Russell) and one opposed (Ms. Atkinson-Stewart).

Mr. Malone observed that CA's three clubs perform way above national norms and asked Mr. Goldman whether he thinks that they will continue at that level if CA takes the steps outlined in the presentation. Mr. Goldman responded that if CA does all the things suggested, CA might come out ahead with a better product for the community, with the caveat that an unintended consequence may be to end up with more memberships than CA can accommodate in the three clubs. Mr. Goldman noted, however, that if CA does nothing, CA will certainly lose memberships.

The Board agreed that all directors should send any additional questions that they have to Rob. Mr. Feldmark will advise the directors by e-mail of a deadline for those questions.

Ms. Atkinson-Stewart moved to continue this closed meeting to another date, since the next closed meeting will be on the same topic. Mr. Malone seconded the motion. Mr. Marcus stated that he believes the Board can legally continue the meeting but for policy reasons does not believe they should do so. The motion failed by a vote of three in favor (Mr. Malone, Ms. Atkinson-Stewart and Mr. Coffman), three opposed (Mr. Marcus, Ms. Russell and Mr. Feldmark) and one abstention (Mr. O'Connor).

Mr. O'Connor moved to open the meeting, Mr. Coffman seconded and the motion passed unanimously. Mr. O'Connor moved to adjourn, Mr. Coffman seconded and the motion passed unanimously. The meeting adjourned at approximately 11:45 p.m.

Respectfully submitted,

Joshua Feldmark
Chair, Columbia Association Board of Directors

Approved by Board 7/1/04

