

The Keystone Neighbourhood Company  
Annual Members' Meeting  
November 19, 2010

I. Call the Meeting to Order

The Keystone Neighbourhood Company (KNC) Annual Members' Meeting was called to order at 2:18 p.m. by Mr. Iskenderian on Friday, November 19, 2010 in Warren Station.

Board Members Present Were:

John Buhler, President and Resort Director  
Alex Iskenderian, Vice President and At Large Director  
Doug Sims, Secretary and Ski Tip Residential Director  
Don McCoy, River Run Commercial Director  
Paul Jeppson, Lodge Director  
Jeff Steele, At Large Director  
Larry Mills, River Run Residential Director  
Donna Nolz, At Large Commercial Director

Representing the Keystone Neighbourhood Company Were:

Mindy Bothel, Business Manager/Interim Executive Director  
Allissa LaFave, Homeowner/Volunteer Coordinator  
Lesley Johnson, Warren Station Manager  
Erik Kraatz, Operations Manager  
Alison Gardner, Operations Supervisor  
Maja Russer, Director of Events and Entertainment

Homeowners Present Were:

Mike and Kit Schroeder, Buffalo Lodge 8351  
Ginger Boulton, Red Hawk Lodge 2241  
Chris Stark, Settlers Creek Townhomes 6537  
Kevin Ong, Red Hawk Lodge 2274  
Jim Spencer, Buffalo Lodge 8459  
Bill Parkhouse, Settlers Creek Estates Lot 3  
Gail Allaman, Dakota Lodge 8470  
Bart Snow, Dakota Lodge 8533  
Nancy Sims, Ski Tip Lot 3  
Theresa Modlich, Buffalo Lodge 8325  
Karen & Ed Dowejko, Jackpine 8004  
Joe Hodges, Trappers 8780/SCE Lots 11 & 12  
Dan St. Armand, Silver Mill 8174  
Anne Larson, Springs 8912  
Leo Hattrup, Dakota Lodge 8456  
Suzanne Brannon, Expedition Station 8593

Terry Novak, Alders Tract A  
Holly Flexer, Silver Mill 8228  
Polly Drew and Drew Kornhammer, Silver Mill 8283  
Mark Rosenblum, Lone Eagle 3033  
Patty Murray, Dakota Lodge 8531 and Blackbear 8036  
Vicki & John Morciz, Arapahoe Lodge 8142  
Dawn Gaynor, Red Hawk Lodge 2203  
Barbara Schwarte, Dakota Lodge 8481  
Jim Hutter, Buffalo Lodge 8418  
Ed Wood, Ski Tip 8734  
Bob Lepkowski, Lone Eagle 3049

Erika Krainz of Summit Management Resources was recording secretary.

Mindy Bothel confirmed that with members present and proxies received a quorum was reached.

## II. Executive Director Report

Mr. Iskenderian announced that Mr. Baker, the Executive Director of the KNC, resigned in September. Mr. Iskenderian recognized the Keystone Neighbourhood Company staff for their work over the last year and during the recent transition. He said the biggest project this past year was completion of Warren Station. It is proving to be everything they had hoped. They had a very good late summer and fall of programming with many sold out shows and five weddings. The construction was completed ahead of schedule and on budget. There was also a number of maintenance projects completed this summer.

The KNC is quite reliant on Real Estate Transfer Assessment as a revenue stream. Although the volume of transactions is way down this year, the KNC remains financially sound. There are a number of Associations that have temporarily reduced or eliminated their Reserve Fund contributions based on economic conditions, but the KNC has continued to make regular contributions.

## III. Approval of Previous Meeting Minutes

An owner noted that there was no mention of a discussion related to updating of the Association documents.

A motion was made and seconded to approve the July 1, 2010 Special Members' Meeting minutes as amended. The motion carried.

## IV. Executive Director's Report

A. *2010 Year-to-Date Financials*

Mr. Sims reviewed the Balance Sheet as of September 30, 2010. He noted that \$1.8 million was taken out of Reserves for the Warren Station project. Last year at this time, the Accounts Receivable balance was almost \$450,000. This year it is down to \$250,661. About \$100,000 of that total has been turned over to the attorneys for the filings of liens and foreclosures.

The 2010 year-end projection indicates Revenue will be down about 7% this year, mainly due to owners who challenged their property tax valuations and had the values reduced. Expenses should be 1.38% under budget. The Reserve Allocation was budgeted for \$605,125 but the actual contribution will be \$424,956. Capital Expenditures were budgeted for \$2,082,000; actual expenses are projected to be \$2,115,000.

A question was raised regarding the balance of the Reserve Fund. The current balance is about \$4 million. The last reserve Fund Study was started in 2008 and finalized in 2009. An owner asked where the KNC cash was held. Mr. Sims said about \$500,000 is held in Operating and the remainder is invested in government backed securities.

An owner asked about bad debt. Mr. Sims said last year was the first year the KNC ever had to write off any bad debt, which included about \$265,000 for The Alders Tract A parcel. There will likely be about \$20,000 – 30,000 of bad debt expense this year.

B. *2011 Operating Budget*

Mr. Sims reviewed the proposed 2011 Operating Budget as compared to 2010 year-end projections.

**Revenue:**

1. Annual Real Estate Assessment – 19% decrease.
2. Real Estate Transfer Assessment – no change. Last year the budget was \$600,000 and the projected year-end is \$600,000.
3. Sales Assessment – 7% decrease.
4. Recreation Assessments – 15% increase.
5. Other Income - 20% decrease due to lower interest earned.
6. Community Events – 2% increase.
7. Warren Station at Keystone – 63% increase.
8. Allocation to Reserves – 49% decrease.
9. Total Revenue – 2% increase.

**Expenses:**

1. General & Administration – 19% decrease.

2. Security - 5% increase.
3. Neighborhood Operations - 3% decrease.
4. Road Snow Removal & Maintenance - 14% increase.
5. Pool Maintenance - 4% increase.
6. Landscaping – 1% increase.
7. Community Events - 12% decrease. Some of the expenses have been shifted to Warren Station.
8. Warren Station at Keystone - 107% increase as the facility did not exist year-round last year.
9. Keystone Design Review Board – 256% increase.
10. Total Expenses – 2% increase.

The Warren Station subsidy is \$135,000, \$92,000 of which is depreciation. The events subsidy is projected to be \$151,000 for a total of \$200,000 excluding depreciation. It is projected that the KNC will need to subsidize both Warren Station and events in the future but it is hoped the subsidy can be reduced through sponsorships in the long run.

An owner asked about the correlation between event and vitality / revenues in the village and increased commercial activity. Mr. McCoy said the events were meant to vitalize the Village, especially in the summer. Warren Station should help increase rentals and merchant business and indirectly increase unit property values.

Projected 2011 Capital Expenditures include:

1. Office/Event Equipment & Supplies - \$15,000. The KNC offices may need to be relocated.
2. Community Pool - \$25,000 for improvements to the large spa and the fountain in Buffalo courtyard.
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4. Roads, Walkways, Boardwalks - \$77,500.
5. Common Elements Maintenance - \$180,241 to upgrade the irrigation systems.
6. Improvements (Warren Station/Office) - \$75,000.
7. Total Capital Expenses - \$372,741.

Mr. Sims said the Board was very conscious of the financial soundness of the organization. He noted the KNC cannot continue to decrease the Reserve funding in the long term.

*C. KNC Mission Statement*

“It is the Neighbourhood Company’s mission to make the neighborhoods at Keystone a premiere mountain community by maintaining a high quality environment and investing in facilities and events that will attract residents and visitors and create a vibrant four season community. “ Mr. Iskenderian commented that the Board supported the current direction.

V. Ballot Items

A. 2011 Operating Budget

Ballots were distributed for a vote on approval of the 2011 Operating Budget.

VI. Vail Resorts Management Presentation

Mr. Buhler said he has been in the community for 16 years and it was an honor and privilege to be at Keystone as Vice President and General Manager of the Resort. He has worked at three other resorts and he is most excited by the passion of the collective body at Keystone.

He reviewed the process for the hiring of a new Executive Director for the KNC. There were about 45 initial applications, from which the top three candidates were selected and interviewed. Mr. Buhler introduced Mr. Mathews as the new Executive Director, Ms. Johnson as the Manager of Warren Station and Ms. Russer as the new Events Director.

VII. Director of Events and Entertainment

Ms. Russer reviewed the 2011 events and programming strategy, with sponsorship and marketing strategy as key elements. There will be weekly promotion of events on RSN. Revenue will be generated through weddings with the first winter wedding scheduled for December 4<sup>th</sup> with approximately 250 guests. There are currently six weddings on the books for next summer. The Quaking Aspen Amphitheater is an integral part of wedding, group and animation programming.

Community events will include theater, dance, comedy and concerts. Festival programming will include wine tastings and seminars, culinary events and indoor concerts.

The River Run Festivals will be scheduled in winter and summer with focus on the peak months of June, July and August. Festivals include World Music, Jazz & Wine, Bluegrass & Beer and Blues & Arts. River Run Rocks festivals are scheduled for 12/4/10, 3/8/11, 4/9/11 and 7/23/11. Village animation includes Frontier Fair, Kidzfest, Kid's Discover Days and Family Fun Nights. The Warren Station website is [www.warrenstation.com](http://www.warrenstation.com).

VIII. Vote Results

Resolution #1 to approve the 2011 Budget passed with 1,790 in favor and 13 opposed. The vote on Other Matters also passed with 1,750 in favor and 42 opposed.

IX. Set Next Meeting Date

The next KNC Members Meeting will be July 2, 2011 at 2:00 p.m. at Warren Station.

X. General Discussion

An owner asked if there could be one fitness center for the entire River Run area. She suggested utilizing the empty space behind the reservation center. Mr. Iskenderian responded that most complexes in River Run have fitness centers. It is an issue of prioritization and the expenditure of capital. Mr. Iskenderian agreed a fitness center would be a desirable amenity, but for conference business in general, the primary issue is access to meeting space which is now available in Warren Station. He also noted that buildings that already have fitness facilities might not be interested in contributing to the costs of a common fitness center.

Mr. Jeppson said the River Run Front Desk was open in the winter only due to business volumes. The goal for the future is to reopen the Front Desk as business increases.

XI. Adjournment

Mr. Iskenderian made a motion to adjourn at 3:50 pm.