

The Keystone Neighbourhood Company
Annual Members' Meeting
November 21, 2008

I. Call the Meeting to Order

The Keystone Neighbourhood Company Annual Members' Meeting was called to order at 2:15 p.m. by Keystone Neighbourhood Company (herein, KNC) Secretary, Mr. Larry Mills on Friday, November 21, 2008 at the Lodge at Keystone.

Present Board Members:

Pat Campbell, President & At Large Director
Alex Iskenderian, Vice President & At Large Director
Larry Mills, Secretary & At Large Residential Director
Brad Schaeppi, At Large Director
Doug Sims, Ski Tip Residential Director
John Boyd, River Run Residential Director
Donna Nolz, At Large Commercial Director
Paul Jeppson, Lodge Director
Don McCoy, River Run Commercial Director

Present KNC Staff:

Molly Speer, Executive Director
Mindy Bothel, Business Manager
Josh Blanchard, Events Manager
Lesley Johnson, Event Coordinator
Don Dobson, Operations Project Manager

Homeowners Present in Person Were:

<u>Name</u>	<u>Lot/Unit Number</u>
8351	Schroeder
8479	Paddock
8456	Hattrup
8497	Treharne
Lot 3	Sims
8811	Boyd
8047	Bliss
8385	Holshouser
2311	Landolfi
8777	Aks
8866	Straight
8062	Meng
8004	Doweiko
8303	Grow
14	Weiss
8402	Shumate
2327	Vog
8142	Moricz
8470	Allaman
2217	Silver
8593	Brannal

2274 Ong
8531 & 8036 Murray

Homeowners Present in Person Were:

<u>Name</u>	<u>Lot/Unit Number</u>
8475	Freiberger
5005	Kron
2291	Berlakovich
KPM	Pennette
8418 & 8481	Schwarte
8418 & 8481	Hutter

Approval of Previous Meeting Minutes

The previous minutes dated July 3, 2008 were reviewed and approved by a unanimous vote.

II. President's Report

Mr. Mills introduced KNC President, Ms. Pat Campbell.

Introduction of Executive Board

Ms. Campbell introduced all present Board members.

Mission Statement

Ms. Campbell read the KNC mission statement, as follows: It is the Neighbourhood Company's mission to make the Neighbourhoods at Keystone a premiere mountain community by maintaining a high quality environment and investing in facilities and events that will attract visitors' and homeowners and create a vibrant four-season community.

Meeting Goals and Objectives

Ms. Campbell reviewed the goals and objectives of the meeting.

III. Executive Director's Report

Ms. Campbell introduced KNC Executive Director, Molly Speer

Introduction of KNC Staff

Ms. Speer introduced present KNC staff.

September 2008, Year to Date Financial Report

Ms. Speer began the review stating that the financial reports were found on pages 7-12 in the meeting packet. Ms. Speer discussed revenues and expenses, September, 2007 versus September, 2008. Revenue: In September, 2007, the revenue actual was \$3.4 million; 2008 was at \$2.7 million (on a budget of \$2.8 million). Ms. Speer noted that the global real estate market is affecting our revenues.

Expenses: In September, 2007, expenses were at \$1.7 million; 2008 was at \$1,894,000 (on a budget of \$1,842,000). It was noted that expenses were up in Snow Removal operations due to a heavy snow season during the 2007 – 2008 winter season as well as increases in fuel and utility costs.

Overall, income verses expenses for 2008 – we are still \$865,000 favorable as of September, 2008.

2008 Year End Projections

Ms. Speer reviewed the 2008 year end projections in comparison to 2008 budget.

Revenue: We are projecting to come in at \$3.1 million on a budget of \$3.2 million.

Expenses: We are projecting to come in at \$2.44 million on a budget of \$2.3 million.

Year End Net: Projecting to finish the year with positive net of \$697,000.

2009 Operating & Reserve Fund Budgets

Ms. Speer began a discussion on the proposed 2009 operating and reserve fund budgets; stating that the information could be found on pages 11 – 14 of the packet.

Income: KNC would like to budget \$3,114,817 for income. (Ms. Speer noted that we would like to budget the same for 2009 as 2008 year end projection on Real Estate Transfer assessments and budget the same as 2008 year end projections on Annual Real Estate Assessments)

Reserves: Budget \$537,676

Expenses: KNC would like to budget \$2,577,141. Ms. Speer noted that the G&A account will see an increase in phone services; credit card related costs and an increase in health insurance costs. Events will show a decrease in costs associated with programming.

A question was raised on the amount of money the KNC had in Reserve Fund and what the funds will be used for. A discussion ensued on the proposed Cultural Arts Center. The KNC plans on funding the construction and operations of the new facility. It was noted that there should be approximately \$4.6 million in the reserve funds at the close of 2008. In 2008, the KNC utilized funds in Community Improvements to installed several new trash enclosures; added trees to our park areas; added irrigation and landscaping to the Dercum statue area; and added irrigation to several areas to reduce water consumption.

Funds from the Capital Reserve fund were used to replace the pool furniture at the Dakota Pool; replace lighting with energy efficient bulbs; purchase additional new ski racks; update the KNC website; and upgrade village and neighbourhood way finding signage.

It was also noted a minimum of 10% of excess revenues must be deposited into the Community Facilities Reserve account and can only be used for costs associated with the new facility.

IV. Vote

Determination of Quorum

It was asked and so responded that there we did NOT have a quorum for the election of the three Residential Director positions. The positions up for election included: Ski Tip Residential Director; River Run Residential Director; At Large Residential Director.

There was a quorum for the 2009 budget vote; therefore members and board were asked to vote to approve the 2009 budget.

A lengthy quorum discussion ensued which included the topic of ways to increase votes to achieve a quorum at the summer meeting and at future meetings. The specific number of votes received for the current elections was noted. It was suggested the Keystone Neighbourhood Company staff or the Board members contact each homeowner by phone to indicate the need for each homeowner to vote. Staff noted that in most cases we do not have homeowner phone information. Other suggestions were posting the proxy on the web site and having members complete electronically and submit directly from the site. Legal counsel will be consulted on the need for a signature on the proxy's to make ensure legality. It was also mentioned that representatives should go to the association

meetings and explain the necessity of voting and obtaining a quorum. The members should also be informed they can grant permission for another homeowner to vote their ballot. The Neighbourhood Company is currently implementing a campaign to collect phone numbers and e-mail address from all members through mailings asking for information. Prior to this meeting, Staff was able to collect approximately 80 email addresses (out of approximately 1000 owner). Difficulties in obtaining this information was discussed. The general consensus was that a quorum could be obtained (as is at the individual Homeowner meetings) if the KNC is able to communicate to members via email. The KNC is dedicated to obtaining email addresses.

V. General Discussion

Cultural Arts Facility

Ms. Speer began the discussion on the Cultural Arts Center by updating the membership on the history of our decision to build such facility and its current progress. Current architectural designs were on display at the back of the meeting room.

A discussion ensued on the number of guest that can be seated in the room at 'round tables' – that number is 250. Some members commented that 'occupancy for 250' will make the room seem crowded and wanted to know how the seating counts were calculated. Ms. Speer, some Board members as well as some homeowners elaborated on the methods used to calculate seating in commercial facilities as the one we are proposing to build.

Several members asked the question about the 'need' for this facility - since the Keystone area already has a Conference Center and the Lodge (to accommodate meeting facilities). First noted was the Keystone Planned Unit Development which indicated that one of the amenities in the Development included among other things, theatres, libraries, conference and meeting facilities, chapels and community centers. In 2002 the KNC conducted a study asking Homeowners and community members what type of amenity would be utilized in River Run. Results indicated that we needed an inside venue to produce animation. The following summer, the Pavilion at Keystone tent was installed. In addition, past and perspective Conference groups have commented they would like to attend conferences where the lodging bed base existed; if guests are attending a conference at the Lodge or Conference Center and lodging in River Run, they are forced to travel by bus or car while attending a conference. This type of facility will draw conference business to River Run thus increase rental room nights. Furthermore, a year round facility will create year round programming. Member concerns were raised in regard to having to fund the facility and that it will not be able to support it self with programming alone. Staff noted that they have prepared, and updated with each architectural set of drawings, operating budgets. While the facility will more than likely not make money, however, KNC's revenues with Real Estate Transfer Assessments will allow us to fund the building as well as cover KNC operational costs and still fund our reserves. An important note to keep in mind is that the members will have to vote on this facility prior to the Neighbourhood Company breaking ground.

Several members voiced their opinion that the theatre portion of the Cultural Arts Center was the strongest priority and should be the main focus during the design phase. A question was raised regarding the amount business we feel a year round facility will produce. Mr. Blanchard discussed the amount of business he turns away annually due to our current facility only being available a few month out of the year. Even though it will cost more to operate the new facility it is still believed that the addition of year round business from all sources will enable the facility to come very close to breaking even. It also needs to be mentioned that the addition of the Cultural Arts Center and the additional programming it will bring to the village will increase rental unit income for the homeowners. Retail business in the village see a 20% to 25% increase in sales with the erection of

the Pavilion each summer. This facility will increase homeowner rentals, River Run Village retail business, Vail Resort amenities and the surrounding communities will gain revenue from year round events. Some members would like to discuss the project in more detail at the July meeting. It was noted there is a lot more work to be done prior to bringing this project to a members vote.

The life expectancy of the current tent was questioned. The original life expectancy of the tent was five years (the tent was installed in 2003 and prior to that had been utilized at the Olympic Games in Salt Lake City, Utah). The Keystone Neighbourhood Company staff will erect the tent in the spring of 2009 and a through investigation will be made on the material. We will investigate the need to replace part or the entire tent and advise the Board of our findings.

The KNC will also be able to obtain grants and community donations as a way to subsidize the operations of the facility. Staff is also looking into setting up endowment funds.

Finally, the construction schedule of the new facility was discussed. Ms. Speer noted that the construction schedule was dependent on financials. While we were hoping to begin construction in the next couple of springs, we are looking at an all in cost for construction of the new facility to not exceed \$8 million. This year the Board was presented with an option to fund the building with a low interested construction loan from a local bank; the Board agreed that we are not interested in obtaining a loan – that will need to be paid back to a bank; construction is dependent on the following three items: the KNC continuing to have the ability to fund reserve funds at approximately \$1 million per year; dependent on success of fundraising; dependent on new Real Estate development at Keystone (in which the KNC is able to obtain Real Estate Assessments).

Winter Events Update

The Keystone Neighbourhood Company will present a fireworks display on December 31, 2008, New Years Eve. We will have the Mardi Gras Street Party and Parade on Fat Tuesday, February 24, 2009, and Blues and BBQ festival is on March 28, 2009. A member asked if we were doing Fireworks on Saturday nights this year; we will not be doing fireworks on Saturday nights this year due to the cost of producing each fireworks show.

Members Questions / Comments

It was suggested that the meeting minutes reflect more detailed comments and information.

The members were invited to stop by the offices of the Keystone Neighbourhood Company at any time with comments and suggestions.

VI. Set Next Meeting Date

The next members meeting will be held on Thursday, July 2, 2009 from 2:00 – 5:00 pm at the Pavilion at Keystone.

VII. Adjournment

The meeting was adjourned at 3:48 p.m.