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THE KEYSTONE NEIGHBOURHOOD COMPANY

SEMI-ANNUAL MEMBER'S MEETING

JULY 2, 1999

I. Call the Meeting to Order

The Keystone Neighbourhood Company Semi-Annual Member's Meeting was called to order by Mr. Peter Benson on Friday, July 2, 1999 in the Ten Mile Room of the Keystone Lodge.

Board Members Present Were:

Peter Benson, President
John Rutter, Vice-President
Jon Simisky, Treasurer
Dave Kleinkopf, Secretary
Doug Sims, Ski Tip Residential Director
Mark Mathews, At large Commercial Director
Don McCoy, River Run Commercial Director

Homeowners Present Were:

For a list of the Homeowners, please contact the [KNC](#)

Others Present Were:

Katy Syko, Executive Director
Heidi Stenhammer, Office Manager
Nathan Mosley, Operations Manager
Jeff Steele, Senior Property Manager
Chris Love, Property Manager
Jerry McMahan, McMahan and Associates

II. Approve Previous Meeting Minutes

Mr. Rutter made a motion to approve the previous meeting minutes dated November 20, 1998. The motion was seconded and carried. There was one descending vote.

III. President's Report

Mr. Benson reported that KNC membership is growing at approximately 150 members per year. It is the Keystone Neighbourhood Company's mission to make the Neighbourhoods at Keystone the premier mountain community in Summit County by maintaining a high quality environment and investing in facilities and events that will attract visitors and create a vibrant, four-season community. This mission is achieved through high quality common area maintenance, implementation of special events and the eventual construction of community facilities.

Mr. Benson reported that KNC goals for 1999 include facilities research to prepare for the eventual construction of community buildings. He noted that new owners receive a questionnaire in the New Member Welcome Package which includes a question pertaining to future facilities and most of them fill out this questionnaire and send it back to the KNC. The most popular facilities remain a chapel, performing arts theater, recreation center and on-mountain amphitheater.

The KNC is operating on a lean budget for 1999 due to the low number of unit closing resulting in lower Real Estate Transfer Assessments than collected in earlier years. Eventually, once the master plan is complete, the Sales Assessment and the Annual Real Estate Assessment will take over as the main funding mechanism for the KNC. Until then, operating expenses are covered in large part by the Real Estate Transfer Assessment.

Infrastructure development of the new Jones Gulch or Ski Tip South subdivision is underway including bridges, roads and utilities. This area will be developed with single family homes and multi family homes regardless of the outcome of the ski area expansion review by the US Forest Service.

IV. Vice-President's Report

Mr. Rutter reported that Keystone Resort was one of only four areas in Colorado that had an increase in skier visits over the previous ski season. The other three ski areas were Breckenridge, Arapahoe Basin and Telluride. The resort had approximately 200,000 room nights last season which was also an increase from 1998/1999. These increases were attributable in large part to capital improvements including the tubing hill on the top of Keystone Mountain, additional snow making, more groomed runs and the replacement of the Santiago lift with a high-speed quad.

Ongoing summer improvements include the completion of the new River Course which will be the second golf course at Keystone and the expansion of the conference center to include an exhibit hall. Unlike the skier market, conference business is growing at a rate of 6 to 10% annually. Keystone is considering utilizing the retail spaces in Expedition Station as conference space which is desperately needed in River Run.

Mr. Rutter was asked how the resort plans to fill the constantly increasing bed base in a flat skier market. He responded that that is the number one task for upper management at the resort. The conference center expansion will help fill the increasing bed base as well as additional capital improvements.

V. Executive Director's Report

Mrs. Syko reported that attendance at this meeting is the largest it's ever been for a KNC meeting and she thanked everyone for attending. For the benefit of the new members she reviewed the function of the KNC and described the specific areas the KNC maintains which include exterior common areas at River Run, Ski Tip and Trappers Crossing.

Special Events

The KNC currently produces three major events including the Celtic Festival held in June, the Bluegrass and Beer Festival held in August and the Wine, Jazz and Sculpture festival held in September. The KNC will also attempt to add an additional festival sometime during the month of July to round out the summer. Other, smaller events taking place this summer include the Snake River Mountain Bike Challenge, the Mountain Arts Gathering and the Colorado Grand.

All events are marketed through the resort by placing festival specific tag-lines on lodging ads in print, through radio promotions and the local newspaper and resort television channel. Sponsorships have helped gain exposure of the festivals in River Run and increased funding for events. Each festival has a charity beneficiary which adds credibility to the festival.

Paid Concerts

The KNC has a contract with Avalanche Productions whereby they would produce a "big-name" musician to play a major pay concert in the Montezuma Free Parking Lot. Avalanche has had a difficult time securing an act due to the lack of a significant venue that has adequate seating and parking. They continue to work on our behalf to draw talent to River Run.

Design Review Board

Members of the DRB include John Rutter, Peter Benson and Mark Johnson. DRB advisors include Ken O'Bryan and Gene Baker. These people meet regularly to review major projects such as Red Hawk and the Grand Lodge and also review minor requests such as deck or patio expansions, patio furniture, window treatments and other miscellaneous design elements in the Neighbourhoods at Keystone.

Mrs. Syko noted that any owners at Ski Tip and Trappers Crossing who have not yet submitted an application for approval of patio/deck furniture should do so as soon as possible.

To date, the DRB has reviewed thirteen minor applications and five major applications. The DRB has also hired an administrator to help facilitate the review of major applications. This administrator logs all building plans, facilitates the meetings and reviews the buildings upon the completion of construction to ensure DRB conformity.

VI. Treasurer's Report

1998 Audit

Mr. McMahan, of McMahan and Associates, presented the 1998 audit of KNC financial records. He reported that the KNC has earned a clean, unqualified opinion which is the highest opinion an auditor can offer. The KNC had excellent internal controls and record keeping. Financial resources almost doubled from 1997 to 1998 which was a result of increased Real Estate Transfer Assessments and fewer expenses than anticipated.

The KNC has three reserve funds including Community Facilities, Community Improvements, and Community Capital Reserve. Ten percent of the Annual Real Estate Assessment is allocated to the Community Facilities fund as required by the KNC documents. Eventually the Community Facilities fund will have enough money to commence the construction of a community facility.

Mr. McMahan has recommended that two resolutions be adopted by the membership at today's meeting which are attached to these minutes as appendix A & B. Mr. Barrows raised the issue as to whether proper notice of the meeting was given. Mr. Kleinkopf responded that he believed proper notice had been given.

A motion was made to adopt the first resolution regarding capital contribution as noted in Appendix A attached to these minutes. The motion was seconded and carried. A motion was made to adopt the second resolution regarding the application of excess revenues towards the subsequent year's expenditures as noted in Appendix B attached to these minutes. The motion was seconded

and carried. Both of the above motions had one descending vote.

Mr. Barrows noted three financial concerns he has regarding the KNC and requested they be investigated. Those concerns are 1) upon the transfer of ownership between Ralcorp and Vail Resorts, Real Estate Transfer Assessments were never paid by Vail Resorts for the unsold units at River Run, Ski Tip and Trappers Crossing, 2) Keystone Real Estate Developments (KRED) does not pay ½ % sales assessments on commercial rentals and 3) the same legal firm that represents the developer represents the KNC.

Mr. Benson responded to concern number 1 by stating that the transfer did not relate to Keystone/Intrawest LLC partnership that is the owner of the unsold units and did not result in a change of title. He commented to concern number 2 by noting that KRED is the owner of the commercial space and that these spaces are rented long-term (more than 30 days) and therefore are not subject to the ½ % Sales Assessment. Finally, regarding concern number 3, Mr. Benson commented that a different person at the legal firm represents KRED than the person that represents the KNC however this issue will be further investigated to determine a potential conflict of interest.

Mrs. Syko noted that, during the initial stages of the KNC, it was more cost effective to stay with the same legal firm as the developer because they wrote the KNC Documents. It would have cost a significant amount of money to hire a different firm who would have to spend a lot of time educating themselves about the KNC.

Mr. Barrows made a motion that the KNC hire an independent law firm devoid of KRED and Vail Resorts and that law firm should determine if Vail should be responsible for paying the 2% Real Estate Transfer Assessment upon the sale of property from Ralcorp to Vail. Currently, the developer holds the majority of KNC votes and Mr. Benson and Mr. Rutter voted against the motion stating that they will research those concerns and report their findings at the next Members meeting in November.

Mr. Sims, Homeowner at Ski Tip and Member of the KNC Executive Board, stated that he agrees with the above course of action and assured all present that any concerns brought to light by the Members are seriously discussed at Board meetings. He noted that all Board members genuinely have the Members best interests in mind when making decisions and are considering adding another Homeowner to the Board. The developer does not plan to control the KNC forever and will eventually turn the Board over to the Homeowners however at this time it is in their best interest to retain control of the KNC because of the immense investment they have in the River Run and Ski Tip Neighbourhoods.

1999 Year-to-Date

As of May 31, 1999 income was \$230,555 or 98% of the budgeted amount, expenses were \$491,784 or 97% of the budgeted amount and net income was negative \$261,229 or 99% of the budgeted amount.

VII. Community Improvements and Facilities Committee Report

Underway/Completed Improvements

Mr. Mathews reported that Miner's Park is finally finished and will be officially dedicated at the Culpepper and Merriweather circus to be held in River Run on July 8, 1999. Dercum Square is being temporarily upgraded with a mini-golf course and a skating rink. These amenities will remain

in this area for approximately three years or until enough funds are raised to construct a community building.

A River Run sign program is currently underway which will include street signs on each street in River Run to help guests find their way around the village.

Upcoming Improvements

The fire pit will be converted to gas this summer to alleviate the problem of smoke entering the buildings. Buck and rail fence will be installed along Montezuma road in front of Ski Tip Ranch and street lighting will also be added to that area. The Trappers Crossing sign will be illuminated.

Annual Improvements

Annual improvements include holiday decorations, bollards which prevent unauthorized vehicles from driving in River Run, bike racks and ski leaners.

Facilities Research

Four major types of facilities are currently being researched and they include a chapel, performing arts center, recreation center and an on-mountain amphitheater.

Mrs. Syko noted that she is researching the possibility of creating another non-profit organization to act as a fund raising entity to help pay for facilities that would benefit Summit County and not just KNC Members. Until then, when considering potential facilities, the Board keeps in mind the various issues that pertain to commercial facilities, facilities that benefit KNC Members only and types of facilities that benefit the entire county.

VIII. General Discussion

Future Board Position

Mr. Benson noted that a Board position may become available in the near future and the Board would like to see that position filled by a homeowner preferably in River Run or Trappers Crossing since there is already representation on the Board from Ski Tip. Any homeowners interested in serving on the Executive Board should submit their interest in writing to the KNC office by mail, fax or email. It was noted that since the KNC is still declarant controlled, Board seats are appointed by the Developer and not voted on by the Members.

Five Year Projection

It was requested that the Board have a five-year projection prepared and ready for review at the next Members meeting. This will give the Members a better idea of the immediate future of the KNC and will help in the planning and implementation of future facilities.

Retail Update

Mr. Mathews reported that he is in the process of finding new and unique retailers to join River Run in the fall. Recent merchants additions include Starbucks, Paisano's, Johnny's, Gorsuch, Brighton, Mary's Mountain Cookies and Telemark Communications.

He noted that 80% of River Run Merchant's revenue is earned from November through April and it is difficult to get a new merchant to open a new business in the summer months.

He was excited to report that Don McCoy, owner of Rockin R Ranch and Shirtz, will be moving Rockin R across the path to the empty retail space next to Polar Revolution. This will give that shop enough space to expand their merchandise to offer grocery items including a refrigerator/freezer section including milk, eggs and ice cream. This is a much needed and long awaited addition to River Run.

Teleconference

Included in the notice for the next Member's meeting will be an invitation for those people who cannot attend the meeting in person to attend via telecom. This will be a test run to determine the effectiveness and benefits of having Members who couldn't otherwise be at the meeting join via telephone.

IX. Confirm Next Meeting Date

Annual Meeting

The next Member's meeting is scheduled for Friday, November 19, 1999 at 4:00 p.m. A discussion ensued regarding the fact that this meeting is held the weekend prior to the Thanksgiving holiday. Mrs. Syko noted that this weekend was selected because most Members rent their units and the Thanksgiving weekend is the one big weekend in November for rental revenue. Mrs. Syko asked for a show of hands of all present at the meeting regarding preference for the weekend prior to Thanksgiving or the weekend of Thanksgiving and an overwhelming majority endorsed the weekend prior to Thanksgiving as a good time to hold the annual Member's meeting.

Members Party

In appreciation of KNC Members and as an incentive to draw greater attendance at KNC meetings, a Member's Party is held the day after the Annual Member's

X. Confirm Next Meeting Date

Meeting. This party will be held on Saturday, November 20, 1999 at approximately 6:00 p.m. More details will follow with the meeting notice to be mailed early in November.

A discussion ensued regarding the fact that Member's money is being used to pay for the cost of this party and the unfairness that arises when all Members are not able to attend the function. It was determined that regardless of the date selected that there would never be 100% attendance at any KNC function.

XI. Adjournment

The meeting was adjourned at 6:40 p.m.

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