

THE KEYSTONE NEIGHBOURHOOD COMPANY

SPECIAL MEMBERS' MEETING

June 29, 2007

I. Call the Meeting to Order

The Keystone Neighbourhood Company Special Members' Meeting was called to order by Mr. Alex Iskenderian on Friday, June 29, 2007 at 2:15 p.m. at the Keystone Lodge.

Board Members Present Were;

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

Representing the Keystone Neighbourhood Company Were;

Molly Speer, Executive Director  
Heidi Stenhammer, Business Manager & Treasurer  
Josh Blanchard, Events Manager  
Erik Kraatz, Operations Manager  
Lesley Johnson, Event Coordinator  
Bryan Batista, Event Coordinator

For a list of Homeowners Present in Person please contact the KNC Office

Others Present Were;

Jeff Pennette, Property Manager  
Carol Culbreath, Property Manager

II. President's Report

**Approval of Previous Meeting Minutes**

The previous meeting minutes dated November 17, 2006 were reviewed and approved as presented.

**Determination of a Quorum**

It was noted that a quorum was present in person and by proxy.

**Introduction of Executive Board**

Mr. Iskenderian welcomed everyone in attendance and introduced the Executive Board as listed above. He made special note of the recent appointment of Mr. Brad Schaeppi who replaced Thomas Davidson as the At Large Director for the Neighbourhood Company and Development Manager for Vail Resorts Development Company. Mr. Schaeppi lives in Keystone and will be focusing on Keystone development projects.

### **Mission Statement**

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.

### III. Financial Report

#### **2006 Year-End Audit**

Mr. Backes of McMahan and Associates presented the 2006 year-end audit for the Neighbourhood Company. Copies of the audit can be found on the Neighbourhood Company website or requested directly through the office.

The Neighbourhood Company once again earned an unqualified or "clean" audit opinion. Net income of all funds was \$1,537,044 of which \$1,277,147 was due to higher real estate transfer assessments than anticipated. Revenue allocations are comprised of 51% from real estate transfer assessments, 27% from annual real estate assessments, 8% from event revenue, 5% from sales and recreation assessments, 4% from investment income, 3% from commercial trash and 2% from other minor sources.

Expense allocations are comprised of 21% for general and administration, 19% for community events, 19% for plaza maintenance, 13% for transit, 10% for common area maintenance, 9% for road maintenance, 4% for pool maintenance, 4% for security and 1% for other sources.

Mr. Backes noted that the Neighbourhood Company is following the approved financial plan, saving surplus funds and transferring those funds into the reserve funds. Expenditures are reasonable and relate to the Associations purpose.

A discussion ensued regarding the two audit resolutions and the one board resolution which are as follows:

RESOLVED, that amounts collected by or paid to the Neighbourhood Company for Capital Replacement purposes for the year ended December 31, 2006 shall be set aside for future major repairs and replacements and allocated to capital components as provided by the guidelines established by IRC Section 118 and Revenue Rulings 75-370 and 75-371. Such amounts shall be deposited into separate

accounts. Any amounts so added to replacement funds shall be allocated to the various components at the discretion of the Executive Board.

RESOLVED, that excess membership income over membership expense collected by or paid to the Neighbourhood Company for the year ended December 31, 2006, shall not be directly refunded to owners, but shall be applied against subsequent tax year member assessments as provided by IRS Revenue Rulings 70-604.

RESOLVED, that \$400,000 of the \$1,527,148 year ended December 31, 2006 operating surplus be allocated to the Community Capital Reserve Fund, \$599,207 be allocated to the Community Improvements Reserve Fund and \$277,941 be allocated to the Community Facilities Reserve Fund with the balance of \$250,000 remaining in the operating reserve account.

### III. Financial Report (Cont)

The first two resolutions are required by the IRS for tax purposes so that the Neighbourhood Company is not taxed on excess income. The last resolution is proposed by the Board so that specific allocations to the three reserve funds can be made with the excess income according to budget projections for 2007 and future years.

#### **Vote**

The vote commenced and the ballots were tallied. Ms. Speer reported that the first resolution passed with 2,188.97 in favor and 17 opposed, the second resolution passed with 2,173.97 in favor and 32 opposed and the final resolution passed with 2,180.97 in favor and 25 opposed.

### IV. Executive Director's Report

#### **Nominations**

Ms. Speer noted that there will be an election for the River Run Residential Director and the At Large Residential Director at the November Annual Members' Meeting. Anyone interested in running for either of those positions should forward their interest in writing to [heidi@keystoneneighbourhood.com](mailto:heidi@keystoneneighbourhood.com) by October 10, 2007 for inclusion in the Proxy and Ballot.

#### **Introduction of KNC Staff**

Ms. Speer introduced the staff members of the KNC as listed above.

#### **April 30<sup>th</sup> year-to-date financial reports**

As of April 30, 2007, the Neighbourhood Company had \$4,942,510 in assets and liabilities. Revenue was \$778,065 or 148% of budget, expenses were \$703,210 or 94% of budget and net income was \$74,854.

Notable variances were Real Estate Transfer Assessment revenue which was 175% better than budget. Community event expenses were 185% of budget due to the fact that the board has approved a \$50,000 overage in this account for calendar year 2007. Design review expenses are at 130% of budget due to the cost of having five outside (non-Vail) members serve on the Design Review Board.

### **2007 Reserve Funds Budget**

The 2007 Community Improvements Fund reflects a starting balance of \$876,457 with \$170,136 in expenditures and \$81,536 in allocations for a year-end balance of \$787,857. Proposed expenditures include event improvements, landscaping improvements and village maintenance equipment improvements.

#### **IV. Executive Director's Report (Cont.)**

The 2007 Capital Reserve Fund reflects a starting balance of \$1,135,294 with \$267,205 in expenditures and \$350,000 in allocations for a year-end balance of \$1,218,089. Proposed expenditures include signage replacement, curb/gutter replacement, equipment repairs/upgrades, lighting projects, road sealing/paving, pool repairs, plaza drainage and streetscape necessities.

The 2007 Facilities Reserve Fund reflects a starting balance of \$687,805 with \$90,213 in expenditures and \$106,084 in allocations for a year-end balance of \$703,676. Proposed expenditures are for architectural renderings of the permanent pavilion.

#### **V. Permanent Pavilion Update**

Ms. Speer reported that schematic plans for the Pavilion at Keystone continue and can be viewed at the Neighbourhood Company office. It is the hope of the Board that construction of this project will commence in three to four years. It will be a multi-purpose facility with the primary focus on performing arts. In order to offset operating costs of the facility additional functions will be necessary such as art exhibits, community events, children's activities, weddings and conference groups.

The Pavilion will have a grand entry with a box office, bar and donor wall. There will be a large deck with outdoor congregation areas with landscaping and patios. The grand hall will be a flexible, open space. The basement will house a black box theatre, bar and conference break out rooms.

A discussion ensued regarding the design of the building, marketing efforts and construction schedule. Mr. Iskenderian thanked members for their input and asked that any owners with additional feedback regarding the facility should contact Ms. Speer as soon as possible.

VI. New Business / General Discussion

**Summer 2007 Events**

Ms. Speer discussed the summer schedule of events which can be found on the Neighbourhood Company website at [www.keystoneneighbourhood.com](http://www.keystoneneighbourhood.com) .

VII. Set Next Meeting Date

The next meeting date will be held on Friday, November 16, 2007 from 2 – 5pm in the Conference Center.

VIII. Adjournment

The meeting was adjourned at 3:40