

THE KEYSTONE NEIGHBOURHOOD COMPANY

SPECIAL MEMBERS' MEETING

June 30, 2006

I. Call the Meeting to Order

The Keystone Neighbourhood Company Annual Members' Meeting was called to order by Mr. Alex Iskenderian on Friday, June 30, 2006 at 2:15 p.m. at the Pavilion at Keystone.

Board Members Present Were;

Roger McCarthy, President, At Large Director
Alex Iskenderian, Vice President, Resort Director
Thomas Davidson, At Large Director
John Boyd, River Run Residential Director
Jim Crocker, 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, Interim Executive Director
Heidi Stenhammer, Business Manager & Treasurer
Josh Blanchard, Events Manager

35 Homeowners Present in Person Were; (following section intentionally left blank)

Others Present Were;

Jeff Steele, River Run Property Management
Jeff Pennette, Property Manager
Winston Elliott, Property Manager

II. Approve Previous Meeting Minutes

The previous meeting minutes dated November 18, 2005 were approved as presented.

Ms. Speer noted that a quorum was present in person and by proxy for purposes of convening the meeting and for the Audit resolutions vote.

III. President's Report

Mr. Iskenderian welcomed everyone in attendance and introduced the Executive Board as listed above.

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.

IV. Financial Report

Audit 2005

Mr. Backes presented the 2005 audit for the Neighbourhood Company which represents an unqualified opinion. The Neighbourhood Company had \$2,568,911 in revenue, \$2,135,417 in expenses for a year end excess of \$484,593. This excess is mostly due to increased RETA revenue from resales. Of this amount \$234,593 will be allocated to the community Improvements Reserve Fund leaving a balance of \$250,000 in the Operating Reserve Fund if approved during today's vote.

Mr. Backes noted that overall the association is developing as originally planned and that as units are brought on revenue and expenses increase. The association also has excellent reserve funds.

IV. Executive Director's Report (Cont.)

Vote on Audit and Board Resolutions

RESOLVED, that amounts collected by or paid to the Neighbourhood Company for Capital Replacement purposes for the year ended December 31, 2005 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.

This vote passed with 2,200.97 in favor and 15 opposed.

RESOLVED, that excess membership income over membership expense collected by or paid to the Neighbourhood Company for the year ended December 31, 2005, 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.

This vote passed with 2,248.97 in favor and 36 opposed.

RESOLVED, that \$234,593 of the \$484,593 year ended December 31, 2005 operating surplus be allocated to the Community Improvements Reserve Fund with the balance of \$250,000 remaining in the operating reserve account.

This vote passed with 2,482.97 in favor and 34 opposed.

Election and Voting Update

Ms. Speer noted that Bill Pell has resigned as the At Large Residential Director since he sold his Ski Tip Unit. According to Neighbourhood Company documents the Board needs to appoint a replacement until the term expires in November 2007. The Board is currently interviewing interested candidates and will have the position filled by the next meeting.

Elections for the River Run Residential Director and the Ski Tip Residential Director will take place at the November 17, 2006 annual meeting. Nominations for both positions are being accepted through October 13, 2006 when the annual meeting notice will be sent to all Members.

April 30, 2006 Year-to-Date Financial Reports

As of April 30, 2006 the Neighbourhood Company income was \$773,441 or 172% of budget, expenses were \$667,767 or 101% of budget for a net income of \$105,673. The staff has continued to budget conservatively and RETA revenue remains strong.

IV. Executive Directors Report (Cont.)

2006 Reserve Fund Update

The Community Improvements Fund had a beginning balance in 2006 of \$657,838. A total of \$84,414 has been spent to date on event improvements, landscaping improvements, pavilion improvements, parks and common space and village maintenance equipment. An additional \$29,059 is projected to be spent this year. The year end balance of this fund after expenses and allocations will be approximately \$840,000.

The community Capital Reserve Fund had a beginning balance in 2006 of \$1,030,962. A total of \$86,159 has been spent to date on signage, pavilion repairs, plaza drainage, pool/spa repairs, rockwork and streetscape necessities. An additional \$166,176 is projected to be spent this year. The year end balance of this fund after expenses and allocations will be approximately \$1,130,000

The Community Facilities Fund had a beginning balance in 2006 of \$582,349 and there are no projected expenses. After the required 10% allocation of the Annual Real Estate Assessment the year-end balance will be \$695,764.

Pavilion at Keystone – Permanent Facility Update

Ms. Speer commented that plans are underway for a permanent pavilion which will be a multi-use facility with a primary focus on the performing arts and a secondary focus on weddings and conference business. There will be a permanent stage and large lobby area with a coat check and box office and an outdoor congregation area with a park. It is the hope of the Board that funding for this building can be secured within a year or two with construction commencing within three years.

Events Update

The Pavilion at Keystone has hosted six weddings and four conferences this summer as well as theatre and concert performances. The Neighbourhood Company continues to host four special events throughout the summer which are well-attended.

V. Set Next Meeting Date

The next meeting will be held on Friday, November 17, 2006 from 2:00 – 5:00 in the Keystone Conference Center.

VI. Adjournment

The meeting was adjourned at 2:50 pm.