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THE KEYSTONE NEIGHBOURHOOD COMPANY  
ANNUAL MEMBERS MEETING  
NOVEMBER 19, 1999

I. Call the Meeting to Order

The Keystone Neighbourhood Company, Annual Members Meeting was called to order by Mr. Peter Benson at 4:20 p.m. on Friday, November 19, 1999 in the Castle Peaks Room at the Keystone Conference Center.

Board Members Present Were:

Peter Benson, President  
Jon Simisky, Treasurer  
John Boyd, River Run Residential Director  
Mark Mathews, At Large Commercial Director  
Tim Patterson, Lodge Director  
Don McCoy, River Run Commercial Director

Members Present Were:

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

Others Present Were:

Katy Syko, KNC Executive Director  
Heidi Stenhammer, KNC Office Manager  
Nathan Mosley, KNC Operations Manager  
Karen Fischer, KNC Office Administrator  
Kevin Kelley, KNC Attorney  
Luke Slottow, Director of Keystone Property Management  
Jeff Steele, Senior Property Manager  
Chris Love, Senior Property Manager  
John Watt, Property Manager

II. President's Address

**Introduction of Board Members and KNC Employees**

Mr. Benson introduced all nine Board members. Board members who are employees of Keystone Real Estate Developments include Mr. Benson as President, Mr. Simisky as Treasurer and Mr. Mathews as At Large Commercial Director. Board members who are also employees of Vail Resorts, Inc. include Mr. Rutter as Vice-President and Mr. Patterson as Lodge Director. Board members who are KNC Members (homeowners) include Mr. Boyd as River Run Residential Director and Mr. Sims as Ski Tip Residential Director. The last two Board members comprise a merchant, Don McCoy as River Run Commercial Director and the KNC attorney, David Kleinkopf as Secretary.

Mr. Benson also introduced the KNC staff which is made up of four people of which Katy Syko is the Executive Director, Heidi Stenhammer is the Office Manager, Nathan Mosley is the Operations Manager and Karen Fischer is the Office Administrator.

He also noted that this is the largest turn-out for a KNC meeting with almost 70 people in attendance and thanked all present for taking time out of their busy schedules to be here today. Previous KNC Annual meetings have included updates relating to real estate, marketing and property management. Because these updates have taken a considerable amount of time in the past, those updates and any questions pertaining to those topics will be held until after the adjournment of this meeting. This will enable the Board to complete KNC specific business and any Members who wish to remain after the meeting can do so and raise pertinent questions at that time.

### **Company Background**

Mr. Benson explained that the KNC was created to act much like a town providing outdoor amenities, landscaping, special events, transportation, security, etc. It is the KNC'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.

Homeowners in the River Run and Ski Tip neighbourhoods became Members of the KNC upon purchase of their condominium. He further explained that the Declarant holds the majority of votes in the KNC because it currently owns the most property within the community. Once 75% of the units to be built within the community have been sold, then the Declarant will turn over control of the Board to the other Members.

### III. Approve Previous Meeting Minutes

Mr. Cornelson made a motion to approve the previous meeting minutes dated July 2, 1999. The motion was seconded and carried unanimously.

### IV. Finance Committee Report

#### **Year-to-Date Financials**

As of September 30, 1999 total year-to-date income for the KNC Operating Account was \$1,161,046 and expenses were \$1,060,477 leaving net income in the amount of \$100,569. Compared to the budget, income was at 139% and expenses were at 108%. Categories that went over budget by discretion of the Board were Common Area Maintenance (Landscaping), Special Events and General and Administration.

Mr. Baker inquired about reason why Sales Assessments are \$6,000 under budget. Mrs. Syko explained that retail space has not been leased as quickly as the Board anticipated adversely affecting the collection of Sales Assessments. He commented that there should be incentives offered to potential lessors to more quickly fill the vacant space. Mrs. Syko noted that several new shops will open by the end of this month which will hopefully bring Sales Assessments close to budget by year-end.

#### **1999 Projected Year-End**

Total year-end income is projected at \$1,238,856, reserve fund allocations in the amount of

\$22,865 and expenses at \$1,220,812 leaving a year-end deficit in the amount of \$4,821 which will be covered by the reserve funds and paid back out of the Operating Account in 2000.

## V. 2000 Budget

Mrs. Syko briefly explained the funding mechanisms for the budget. The Annual Real Estate Assessment (AREA) is based on 10 mills (.010) of the assessed property value as determined by the Summit County Assessors office. It is billed for the current year as opposed to property taxes which are billed for the previous year. As required by the KNC Declaration, 10% of the AREA is put into the Community Facilities Fund on an annual basis.

The Real Estate Transfer Assessments (RETA) in the amount of 2% of the sales price is currently the largest funding mechanism for KNC operations.

Additionally, the KNC collects ½ % on all sales and rentals in River Run and Ski Tip. This includes property management rentals. Mrs. Syko reminded any Members who rent their unit through a rental company independent of Keystone that they need to remind their representative to submit that assessment on a monthly basis. Other revenue streams include Other Income, which comprises Design Review Board fees and the recoup of commercial trash removal fees, and Interest Income from the reserve fund accounts.

Mrs. Syko explained that two budgets have been presented for approval by the Members today. One budget includes The Timbers ski in/ski out property (formally known as The Schick Property) located to the west of the gondola base and the other budget does not include that property. Both budgets include an additional reserve fund budget.

A vote of Members (the Declarant abstained) took place at the last Member meeting whereby the inclusion of The Timbers into the KNC at the discretion of the Executive Board was approved. At this time, the Board has not officially accepted The Timbers into the KNC but feels it will happen early in 2000 thereby affecting the 2000 budget.

The budget that includes The Timbers reflects an 81% increase in revenue, a 2,931% increase in reserve fund allocations and a 27% increase in expenses. The budget that does not include The Timbers reflects a 38% increase in revenue, an 838% increase in reserve fund allocations and a 23% increase in expenses.

Mrs. Syko noted that the Board has been very conservative in increasing operational expenses considering that the KNC Membership increases by 150 to 200 new members each year. Significant budget increases were made in areas that will attract more guests and increase rentals such as recurring events and landscaping.

The vote commenced, the ballots were tallied and both budgets were unanimously approved.

## VI. General Discussion

### **Old Business – Legal Representation**

The issue of a potential conflict in having the same legal representation for the KNC as the Declarant was raised at the last meeting. A letter written by KNC attorney, David Kleinkopf and attached to these minutes as Appendix A addresses the conflict question. The Executive Board does not believe that any conflict exists at this time. Moreover, the current law firm being used by the KNC wrote the KNC Declaration and is very familiar with every aspect of

this company and the development in River Run. Selecting a separate legal firm would have cost the KNC a significant amount of money just to get the new attorney(s) educated on the KNC Declaration and operations. If a conflict should arise in the future the Board will reevaluate the legal representation.

### **Old Business – Vail Resorts and RETA**

The Board was asked at the last meeting to have an independent attorney investigate whether or not Vail Resorts owes to the KNC the 2% Real Estate Transfer Assessment upon the purchase of Keystone Resort from Ralcorp Holdings. Mrs. Syko hired an attorney independent of the current legal firm to research this issue. This attorney recently received all of the necessary documentation from Vail Resorts in order to make a conclusion and unfortunately did not receive it in time to make that conclusion for presentation at this meeting.

Mrs. Syko commented that it is of the general belief that because no title ever changed hands that the RETA is not owed by Vail Resorts. The official letter from the attorney will be sent to all Members along with the next meeting notice which will include these minutes.

### **Old Business – Late Payment Policy**

Mrs. Syko reported that the Executive Board has created a late payment policy in an effort to fairly deal with delinquent assessments. All Members were reminded that the KNC has an automatic lien on all delinquent units. The late payment policy is as follows;

Every attempt to collect payment will be made by sending out at least three notices (the final being sent certified mail) and making one phone call to the owner.

1. Late payments will accrue a \$100 late charge per year 90 days after the due date of the invoice.
2. After the \$100 late charge is assessed the overdue invoice will continue to accrue an additional late fee of 1.5% per month thereafter.
3. Payments will be applied so that late fees and finance charges are paid first and then the remaining unpaid assessment will be paid. If an owner pays everything but the late fees and finance charges they will still be considered delinquent and will continue to accrue additional late fees.
4. The KNC Declaration provides for an automatic lien against all units. Nonetheless, KNC may record a statement of assessment lien against a unit with delinquent assessments to give additional record notice to purchasers, lenders and title companies of such delinquencies.
5. Foreclosure proceedings will be initiated at the Board's discretion after one full year of collection efforts have been made.

### **New Business**

No new business was reported.

### **Enchanted Evening**

Mrs. Syko invited all KNC Members to attend the Third Annual Enchanted Evening for KNC Members only. The celebration will be held tomorrow at 6:00 p.m. at Paisanos and the Great Northern Tavern.

## VII. Set Next Meeting Date

Some owners have expressed concern about the weekend in which the Annual Meeting is held. It was determined by the Members at a previous meeting that the meeting should not be held on the Thanksgiving weekend because that is the only major weekend for rental revenue in the month of November. Mrs. Syko noted that the date for the Annual Meeting is set at the spring meeting and this issue can be raised again at that time.

The spring meeting will be held on July 3, 2000 at 4:00 p.m.

## VIII. Adjournment

The meeting was adjourned at 5:05 p.m.

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