

UNAPPROVED MEETING MINUTES
MINUTES TO BE APPROVED AT 11.20.09 MEETING

The Keystone Neighbourhood Company

Special Members' Meeting

July 2, 2009

I. Open Meeting

The Keystone Neighbourhood Company Special Members' Meeting was called to order at 2.20 pm by Alex Iskenderian on Thursday July 2, 2009 at the Pavilion at Keystone.

Board Members Present Were:

Alex Iskenderian, Vice President & At Large Director
Larry Mills, Secretary & At Large Residential Director
Jeff Steele, 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

Representing the Keystone Neighbourhood Company Were:

Tim Baker, Executive Director
Mindy Bothel, Business Manager
Josh Blanchard, Events Manager
Lesley Johnson, Sr. Event Coordinator
Mikel Ziruolo, Event Coordinator
Don Dobson, Operations Project Manager
Erik Kraatz, Operation Manager
Katie Slota, Receptionist
Ina Gillis, Landscape Manager

Homeowners Present in Person Were:

<u>Name</u>	<u>Lot/Unit Number</u>
Stelzer	6435 Ski Tip
Bliss	8047 River Run

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Wineste	2259 Red Hawk
Haley	8829 Springs
Evans	8121 Arapahoe
Knoles	Lot 10 Settlers Creek
Sims	Lot 3 Settlers Creek
Berlabovich	2291 Red Hawk
Holshouser	8385 Buffalo
Landolfi	2311 Red Hawk
Nye/Blains	8177 River Run
Paddock	8479 Dakota
Hodges	8780 Trappers
Helmer	8582 Silver Mill
Gaynor	2203 River Run
Treharne	8497 River Run
Laurene	2351 Red Hawk
Schwarte	8481 Dakota
Plate	8838 & 8839 Springs
Wood	8734 Ski Tip
Manning	8123 River Run
Rosenblum	3033 Lone Eagle
Jacobsen	8768 Ski Tip
Fuller	3075 River Run
Schreoder	8351 River Run
Knoles	Lot 10 Settlers Creek
Straight	8866 River Run
Branson	8593 Expedition Station
Montgomery	3022 Lone Eagle
Chandler	2333 Red Hawk
Scott	8577 Expedition Station
Pennette	KPM
Lee	8300 River Run
Belletire	8782 Trappers Crossing
Hutter	8418 Buffalo
Blum	8728 Ski Tip
Dempsey	6517 Settlers Creek
Manning	8123 Arapahoe
Allaman	8470 River Run
Coble	KPM
Mills	8243 Silver Mill
Fulle	854 Dakota
Griffin	8003 & 8034 River Run
Wall	8400 River Run
Scrivener	3081, 3050, 8914 & 8903 Ski Tip and River Run
Cushing	8285 River Run

Freiberger	8475 River Run
Norris	8785 Trappers Crossing
Foster	8261 River Run
Torrington	8723 Ski Tip
Ong	2274 Red Hawk
Jacobsen	6524 Settlers Creek
Weiss	14 Ski Tip
Rutledge	8848 Springs
Loenthal	8730 Ski Tip
Reeburgh	8893 River Run
Williams	2299 River Run
Fuller	3075 Timbers
Hankelem	8818 River Run
Randles	KPM
Ladouver	8404 River Run
Wallick	8023 Jack Pine
Miranda	KPM
Paulson	Alders

Others Present Were:
Paul Backus - CPA

II. Call the Meeting to Order

Approval of Previous Meeting Minutes

The previous minutes dated November 21, 2008 were reviewed and approved by unanimous vote.

III. President's Report

Introduction of Executive Board

Mr. Iskenderian introduced all Board members present and notified the members Ms. Campbell, Board President, was unable to attend due to a family matter.

Mission Statement

It is the Neighbourhood Company's mission to make the Neighborhood's 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

Mr. Iskenderian introduced the Keystone Neighbourhood Companies (KNC) new Executive Director, Tim Baker. Mr. Baker gave a brief back ground on himself relating past professional experience and how he came to the KNC. He outlined the meeting agenda and objectives.

Introduction of Staff

Mr. Baker introduced the Keystone Neighbourhood Company staff individually to the members.

IV. Audit Report

Audit and Year End 2008

Mr. Backus, the KNC auditor, was introduced and began his presentation on the 2008 audit. Mr. Backus began with a brief introduction on the audit process and his firm. He noted that copies of the final audit are available on the KNC web site. The yearend audit showed a net income of \$243K for 2008. He then described how the KNC receives its revenue and how we fund the reserve accounts. He noted the reason for the increase in expenses of approximately 15% was related to excessive snow in 2007-2008 ski season and the KNC has a large outstanding A.R.E.A. balance from a Non-Vail owned property. The opinion of Mr. Backus is the KNC runs very lean and all surplus revenue is transferred to the reserve funds. A member asked; is the 19% overhead comparable to other associations? Mr. Backus responded that the focus is looking specifically at each line item. Noting there is very little over head expense compared to other similar organizations.

V. Executive Director's Report

Year -to-Date as of April 30, 2009

Mr. Baker began the presentation outlining the April 2009 financial reports. Noting the unusual amount of past due A.R.E.A. payments due to the open balance from the member/developer. He continued with specific details regarding the expenses. Mr. Baker noted that the equity the members have in the KNC is a little less than \$6M. In regard to the income for the first four months of 2009 he noted that the R.E.T.A. is higher than budgeted to date, but still not what we have seen in recent years. Mr. Baker detailed the current expenditures in the capital accounts. As of April 30, 2009

we have saved approximately \$300K in capital expenditures. A member asked why there is a large open balance on The Alders Tract A property? Mr. Baker described the legal situation of Tom Petters, the president of PFG Real Estate Group who is the current owner of the property in question, and outlined the auditors adjustment for potential revenue not received, also how the KNC is proceeding to collect the outstanding balance. A member asked why are capital expenses on the P/L noting it is broken out on the cash flow? Mr. Baker explained the KNC is utilizing a new report. A member asked due to the increase in A.R.E.A. is the Board going to reduce the mill levy? Mr. Baker gave an outline on why the assessment went up and that the mill levy needs to remain at the current level to maintain the savings the KNC has seen in the past and to continue to fund the capital accounts as required. Regarding the issues surrounding the Alders Tract A property a member asked are we going to reserve for bad debit or is there going to be a special assessment? Mr. Baker responded that at this time there will not be a special assessment for bad debt. A member inquired on the amount of A.R.E.A. payments received for 2009 as of today. Ms. Bothel answered approximately 60%.

2009 Reserve Fund Balance Update

Mr. Baker began the discussion describing the purpose of each fund.

The Improvement fund would be used for new common elements in the neighborhood's such as snow melting areas in the village, new equipment needs, and new amenities.

The Capital fund is used to maintain current infrastructure. Items such as pavers, brick, benches, ski racks, replacement of common area items. He briefly mentioned fund balances and noted the KNC is trying to be fiscally responsible and keep the current assets in good order.

The Facilities fund is for the construction of new community facilities. We must place 10% of the A.R.E.A. per year in this fund per the PUD and KNC Declaration. Mr. Baker noted there is just over \$2M in the Facility fund at close of 2008. Due to the current economy the Board has decided to put the Cultural Arts Center (CAC) construction on hold.

Cultural Arts Center

Mr. Baker began the discussion referring back to the mission statement to have a vibrant four season resort. The KNC has always wanted a facility for year round use. The vision for CAC began as a result of survey results from a homeowner's survey the staff conducted previously. The KNC began with the current tent to gain experience with programming and the financial structure of this type of facility. In 2005 it was thought the CAC would be a sustainable project which could begin in the

next few years. Due to the current economy and realizing the challenges a permanent building entails it has been decided that the facility must be put on hold. Due to the condition of the current tent structure 2009 will be the last summer we will be able to utilize this facility. There is the option to re-skin the current tent frame and have exactly what we have now. The current type of facility we have is not necessarily bad, but is this a progressive move toward the future? The discussion continued on how we can get the desired facility for less than \$8M. We need to consider an idea that would bridge the gap. We need to look for a facility that can give the KNC the operation capacity of the CAC for 1/5th of the prices of the permanent CAC facility. Mr. Boyd noted he had asked the question; will the proposed Sprung facility fill the needs for the KNC? After researching the facility and all it has to offer Mr. Boyd feels this is a great idea and will bridge the gap. During the discussion Mr. Baker described the Sprung structure and its features and versatility. A member noted that in their experience temporary facilities sometimes end up more permanent than temporary. Could this facility be around for a long time? Mr. Baker answered that we expect to have a time horizon imposed from the county that we would have to adhere to. He also noted that the KNC Board will continue to focus on the permanent CAC facility but this could be a temporary solution until the economy improves. A member asked what is the Sprung facility going to attract differently from the current facility? The Sprung facility will allow for year round programming as well as enhanced wedding business. It will be available to other county organizations for their functions and bring people into the village in the off seasons. The new facility would also give the KNC staff the ability to produce programming that is attractive to a larger homeowner base. A member asked about the interior finishes. Mr. Baker stated that the interior finishes can be at a level no different than one would see in a traditionally constructed structure. Locations of doors and windows can be selected as dictated by the owner. This facility will have energy efficiencies at or possibly exceed traditional construction. Acoustics have been proved to be of high quality as many examples of these structures contain performing arts functions. A great example is the New Life Church in Colorado Springs. The expectation of the interior would be to give the feel of a permanent facility when inside. The building will also be required to adhere to county building codes. The KNC staff is still evaluating the year round operating expenses and how the investment will enhance the village and all the KNC neighborhoods. A member inquired on the approximate cost to re-skin the current tent frame and if we did so could we use the tent year round? Mr. Baker said it would cost approximately \$100K to re-skin the current tent frame and the county would still look at it as a summer only facility. On the other hand the Sprung facility will comply with the county building codes as a year round facility. The question was asked if we would be ready to construct a permanent facility in seven years and what would we do with the Sprung facility when we begin construction on the permanent facility? Mr. Baker continued noting that these structures have a warranted life of twenty years from the manufacturer and the KNC may be able to utilize the structure for other uses or sold to another user. The question on which fund would pay for the Sprung structure was

asked. Mr. Sims began the answer with a brief history of the process to build the facility and how the Board is able to transfer money between funds. It was noted that there will need to be continued research on the financial requirements of the facility. A member stated that the KNC staff will need to have a great deal more information for the members noting that many are business people and they will want specifics on the project and to make sure the facility can function financially without substantial subsidies.

Operations Projects Plan / Status

Mr. Baker briefly discussed some of the projects the KNC staff was undertaking in 2009. He noted that he and the staff were evaluating all projects and plan to hold off on some previously scheduled.

VI. Vote

Determine a Quorum

Mr. Baker inquired if we had a quorum for the election. Ms. Bothel answered yes we have a quorum.

Candidate Forum

1. Ski Tip Residential Director

Incumbent Doug Sims gave a brief summary of himself and his tenure as a Board member. He continued with how much he enjoys serving as a Board member and works diligently with the other Board members to assure the fiduciary responsibilities are met.

2. River Run Residential Director

Incumbent John Boyd gave a brief description of himself and his tenure as a Board member. He related his enjoyment with his position and the cohesiveness of the Board.

Daniel Bliss gave a brief outline of himself noting he has been a homeowner in River Run for five years. He is currently the president elect of his HOA in Michigan and the treasurer for the Jack Pine/Black Bear HOA. He stated he believes it may be time for a change and would consider it an honor and a privilege to serve on the KNC Executive Board.

3. At Large Residential Director

Incumbent Larry Mills began by thanking the member's for allowing him to serve as secretary for the last few years. He has been a homeowner in the KNC neighborhoods for eleven years and has been in the resort industry for ten years. He is currently the President of the Silver Mill HOA and is in the process of completing a major renovation in the Silver Mill Lodge and working with the Buffalo Lodge HOA on a health club. He is a full time resident of Denver and feels a second homeowner can bring a different view of things to the village. He would like to continue as a KNC Board member.

Stephen Straight began his comments noting he feels it is obvious that the KNC is moving closer to Vail Resorts with the appointment of Mr. Baker as the new Executive Director. He stated Mr. Baker was the point person on the One River Run project for Vail Resorts Development Company (VRDC). He feels the homeowners need a strong voice on the KNC Board since out of a total of nine Board members only three are homeowners. He continued saying he feels it is important that the Board members live in the area stating he has been a full time homeowner for six years and the President of The Springs HOA for five years. He has been in the marketing and events management business for forty-two years and has attended all of the KNC sponsored festival over the past six years. He also supports the KNC events department by supplying volunteer staff to at least one event each year. Mr. Straight feels it is important to know who your guests are and being active with the KNC is essential. He also noted that the village, shops, restaurants and black top are showing age and he would like to assist in improving the area.

Mr. Baker thanked all of the candidates for their comments. He did note that even though he had been a VRDC employee in the past he wanted to assure the members he is a KNC employee now and all efforts are directed towards the best interest of the collective membership.

A question was raised by a member on the term limits for Board members. Currently there are no term limits, but Board members must be reelection ever two years.

A member stated concern about length of time the current Board members have held their positions. The member has been reviewing the KNC documents and found there is no specific limit noting the current Board is not new.

Vote on Audit and Board Resolutions

Mr. Baker gave a brief outline on the items up for consideration and asked the members to complete their ballots and the staff will collect and tally them.

The question was asked when the Ski Tip Residential Director election would be held again? Mr. Baker noted that position is up for election in even numbered years and will be voted on in the summer of 2010.

A member asked if refunds on A.R.E.A. would be available if the Board is not going to reduce mill levy? Mr. Baker answered that we need to save for capital improvements and the CAC project. Also, we need to take the Reserve Fund Study findings into consideration and make sure we are funding the reserve accounts for future capital expense items. Mr. Sims sympathized with the members noting he experienced an increase as well. He went on to say that the Board has a fiduciary responsibility to all members to make sure there are adequate reserve funds. Even though the increases seen this year are high the current mill levy will bring in much less than the increases some members may have seen. No final numbers on the actual income is available yet due to the homeowners protesting their valuations.

Another member asked; did the board decision to not reduce the mill levy have anything to do with the past due accounts? Mr. Baker answered that the KNC has seen a drastic reduction in R.E.T.A. income. He compared 2007 to 2008 R.E.T.A. income noting that the mill levy will not be decreased due to over all income reduction and delinquencies have not been a great concern in the past.

VII. General Discussion

Pavilion at Keystone and Events

Mr. Baker outlined the upcoming events throughout the summer. He made note of the list of events in the presentation and the members meeting booklets. He asked the members to note that the September event is new.

Members Questions / Comments

Mr. Baker stated that the KNC is preparing for the change from declarant control and will be taking a fresh look at all KNC documents in the coming years. He also wanted the members to know his door is always open and to feel free to stop by or send an email with any comments or concerns.

A member noted that during their review of the documents that they are in need of revision. That the one year term is in violation of the two year election process. They would like to suggest that the terms are three years and each residential area director position would have an election each year staggering the potential for new Board members. They also mentioned there are discrepancies between bylaws, the declaration and the articles of incorporation.

A member mentioned that there are noisy deliveries to the new ski shop area and other areas in the village. Mr. Baker noted we are working with the fire dept. on new bollards in the village and will be setting a tentative delivery schedule from 7:30 am to 9:00 am and each truck must have a driver with it at all time. He is also discussing the situation with the merchants. It was also noted that the Summit stage stop by Dercum Square has buses idling too long. Mr. Baker is also working on this issue.

Another member commented they have a concern about all of the vacant commercial space. They feel that the leasing dept. is missing the boat by not having spaces filled. Perhaps having local business with additional store fronts in the village. Mr. Baker stated the KNC has concerns about this issue, but asked for additional comments to be put off until the resort question and answer period.

A member mentioned that they feel we need a common area for trash storage. Trash is piled up on busy weekends.

Members feel that there are not enough lights in the village. Mr. Baker is working with several individuals to address lighting and resolve malfunctioning lighting.

VIII. Election and Voting Results

Mr. Baker read the election results. Ski Tip Residential Director incumbent Mr. Sims was reelected. River Run Residential Director incumbent Mr. Boyd was reelected. Stephen Straight was elected as the At Large Residential Director. All tax resolutions carried.

IX. New Business / General Discussion

No new business was presented that had not been discussed throughout the meeting.

X. Set Next Meeting Date

Friday November 20, 2009 from 2:00 to 5:00 pm location TBA

XI. Adjournment

The meeting was adjourned at 4:13.