

KEYSTONE RANCH HOMEOWNER ASSOCIATION, INC.
BOARD OF MANAGERS MEETING
JUNE 28, 2013

I. Call to Order

The Keystone Ranch Association, Inc. Board of Managers Meeting was called to order by Mr. Pringle at 9:00 a.m. on Friday, June 28, 2013 in the Grays Peak Room of the Keystone Conference Center.

Board Members Present Were:

John Pringle, President
Jayn Karl, Treasurer
Gerry Fricke, Member

Wilson Strong, Vice President
Mike Orth, Secretary

Owners Michael Khalilian and Lisa Start of 70 Lichen Lane were guests at the meeting.

Representing Keystone Property Management Were:

Lisa Poole, Property Manager
Tammy Bee, Property Manager

Carlie Nappi, Assistant Manager

Erika Krainz of Summit Management Resources was recording secretary.

II. Owner Forum

Mr. Khalilian posed some questions and shared some comments:

1. He asked how owners could help with fire mitigation. He felt it should be the highest priority.
2. He felt the Association should encourage owners to replace trees that have been lost. He said there was also an issue with remaining tree stumps. Removal of stumps costs \$100 – 500 each, which he thought should be an individual owner responsibility.

Mr. Pringle responded that management has been working hard to clean out the underbrush on common areas to mitigate the fire danger. They will continue with this work on the side roads as the summer progresses. This topic will be discussed at the Homeowner Meeting.

In terms of new tree planting and stump removal, Mr. Pringle emphasized that any landscaping work on a lot or on common area must be approved in advance by the Design Review Board (DRB). A link to the DRB website will be added to the Association website.

Mr. Khalilian then distributed a sketch of the proposed landscaping work he would like to complete. The proposal includes planting about ten trees, removing two stumps, addition of river rock along the house foundation and grading to address drainage and erosion issues on the west side of his home.

Mr. Pringle reviewed the Board's concerns about actions that Mr. Khalilian has already taken without applying to the DRB:

1. Mr. Pringle was told that the dirt that is now on common area was originally delivered in a pile by the road. The contractor said Mr. Khalilian was present for all deliveries and gave specific direction as to how the dirt should be spread. Mr. Khalilian told the contractor that he was creating a play area for his daughter.
2. The contractor sent Mr. Khalilian several emails noting the need for approval for the project from the DRB. The contractor's understanding was that the dirt would be used to create a 3 – 4' high berm on which trees would be planted, and to create a privacy wall for a play area.
3. In total, eight loads of dirt and two loads of rock were delivered and spread, destroying the natural landscaping on common area. Mr. Khalilian responded that he was committed to restoring the area to its natural state.

Mr. Pringle also reviewed a list of additional existing covenant violations at the Khalilian's property:

1. The two light pillars at end of driveway were not approved. Mr. Khalilian responded that they were present when the property was purchased.
2. There is a patio off the back side of the house with a picnic table that is on common area. Mr. Khalilian responded that the rocks were also present when the property was purchased.
3. There is a sign on the road side of house about "dog parking". Signs are not allowed. Mr. Khalilian said he would remove the sign, but asked if his security system sign also had to be removed. The Board will consider if the second sign must be removed.

This concluded the participation by the Khalilian's and they were excused from the meeting.

The Board reviewed the next steps.

1. The landscaping proposal needs to be submitted to the DRB at least one week prior to the next session on July 8, 2013.
2. The DRB will come to the Board for a recommendation.

III. Approve Previous Meeting Minutes

Mr. Strong made a motion to approve the June 29, 2012 Board Meeting minutes as presented. Ms. Karl seconded and the motion carried.

IV. Financial Review

A. *Year-to-Date as of May 31, 2013*

Ms. Poole reported that the Association was operating \$57 favorable to budget. Legal was \$4,644 unfavorable to budget for drafting of the legal agreements. Association Labor will be unfavorable to budget in June but there should be some savings in Repair and Maintenance.

B. *Reserve Funds*

All the Reserve Funds have been separated into specific line items for clarification. The Working Capital balance was \$26,468.

C. *Tax Resolutions*

Two Resolutions related to Capital Contributions and Excess Income Applied Towards Subsequent Year's Expenditures were included in the meeting packet. Mr. Pringle executed them on behalf of the Association.

V. Manager's Report

A. *US Forest Service Update*

The contract expires July 31, 2013 and the contractor has indicated the work will be completed by that time.

B. *Tree Removal*

The contractor has estimated that 15 – 20 trees will need to be removed this year.

C. *Tree Spraying*

There will be an average of 15 trees sprayed around each home and 600 pheromone packets will be placed on trees in the common areas.

D. *Weed Spraying*

The weed spraying is underway.

E. *Common Area Clean Up*

The snow removal agreement specifies that the gravel will be picked up and removed in May and again in June if needed. The drainage ditches and culverts are being cleared. Bill Cadwallader used a street sweeper to remove the sand and manually removed the gravel with assistance from Keystone staff. The accumulated slash has been picked up.

F. *Security Cameras*

There are two motion activated security cameras at the guard shack (one for each direction) and one at the trash area. The recordings are only reviewed if there is an incident. Based on the amount of traffic, the system has enough capacity for approximately 55 days of recordings. During the holiday periods it will be slightly less. There are signs disclosing the presence of the surveillance cameras at both the guard shack and the dumpster. Ms. Poole will send an email blast to the owners to inform them that the system is now operational, and will remind owners to dispose of large items at the dump. Ms. Poole will establish logins and passwords so Board Presidents can access the system online.

G. *Bad Debt Expenses*

There are no Ranch properties in foreclosure or bankruptcy. Owners will be encouraged to sign up for automatic dues payment if they have not done so already. Ms. Poole was asked to provide a sheet with instructions for signing up at the

meeting. About 2/3 of the owners are currently participating. There is one owner who is about 60 days behind with their dues payment.

H. Roads

The crack sealing has been completed. The chip sealing process will start on July 8th and should take about one week. Gentian will be chip sealed this year. A 2" overlay is scheduled in 2014 from the Clubhouse to Gentian. Nothing will be done to the Keystone Ranch Road past Gentian until it is time to completely replace it based on the engineer's recommendation. There are a couple of spots along the roads where reflectors should be added for safety.

I. Driveway Repairs

Owners are permitted to park cars on their driveways but they are responsible for maintenance and snow removal. Some driveways are in very poor condition. A form letter has been created and will be sent to the affected owners with paving contractor contact information.

VI. Water System

Mr. Pringle will provide a presentation on the water system at the meeting. Vail Resorts hired Tetrattech to complete a study. Their report recommends \$180,000 of work this year and \$350,000 of additional work over the next four years. They are recommending drilling of an additional larger well at a cost of \$35,000, adding some fencing and eventually a metering system for all houses. The total cost for all projects through 2030 is about \$954,000. This Association would be responsible for 58% (about \$600,000). It is likely that testing of the wells and installation of a filtration system will also be required. The filtration system will cost about \$500,000.

Owners were paying \$40/month for water use and a \$10/month Reserve Fund contribution. The new budget assumes a \$50/owner/month contribution to Reserves for a total of \$90/owner/month. Mr. Ornes has suggested establishing a water use agreement with Vail Resorts wherein they will fund the expansion of the system and the Association will repay the cost based on the amortized life of the asset, which is estimated to be about 20 years. A Water Board will be formed with representation from the three Ranch Associations and Vail Resorts.

VII. Four Corners Update

Mr. Pringle said the KOA and KCL were still interested in making improvements to the Four Corners area. The new Vice President of Hospitality, Mr. Estes, wants to elevate the overall caliber of the Resort and supports this initiative. Bids have been obtained from Neils Lunceford and Hood Landscaping.

Ms. Poole added that Mr. Estes formed several committees and they are looking at a number of improvements to elements throughout the Resort to elevate the overall experience.

VIII. Set Next Meeting Dates

The Holiday Social will be Friday, 12/27/13 at the Keystone Ranch. The Homeowner Meeting will be held on Thursday, July 3, 2014 from 2:00 p.m. – 4:00 p.m. followed by a picnic from 5:00 p.m. – 7:00 p.m.

IX. Recess and Reconvene

The meeting was recessed at 11:05 p.m. and reconvened on Monday, July 1, 2013 at 2:13 p.m.

X. Election of Officers

Mr. Orth made a motion to retain the same Officers, i.e. Mr. Pringle – President, Mr. Strong – Vice President, Ms. Karl – Treasurer, Mr. Orth – Secretary and Mr. Fricke - Member. Ms. Karl seconded and the motion carried.

XI. Adjournment

A motion was made to adjourn the meeting at 2:15 p.m.

Approved By: _____ Date: _____
Board Member Signature

KEYSTONE RANCH HOMEOWNER ASSOCIATION, INC.
GENERAL MEMBERSHIP MEETING
JULY 1, 2013

I. Call the Meeting to Order

The Keystone Ranch Association, Inc. General Membership Meeting was called to order by Mr. Pringle at 1:12 p.m. on Saturday, July 1, 2013 in the Keystone Ranch Living Room.

Board Members Present Were:

John Pringle, President
Mike Orth, Secretary
Gerry Fricke, Member

Wilson Strong, Vice President
Jayn Karl, Treasurer

Homeowners Present Were:

Richard & Phyllis Smith
Bob & Nancy Follett
Grover & Maidee Hope
Gerald Ireland
Brad & Adrienne Prokop
Harley & Mardy Williams
Kris Ciccolo
Sue & Larry Wood

Chris Ornes
William & Ann Swagman
Sheryl Strong
Lois Rae Beall
Eileen Terens
Annette Balog
Rebecca Ferrera

Leon Levy from the East Ranch was a guest at the meeting.

Representing Keystone Property Management Were:

Jennifer Adaro-Martin, Senior Property Manager
Carlie Nappi, Assistant Manager

Lisa Poole, Property Manager
Barrie Holt, General Manager

Erika Krainz of Summit Management Resources was recording secretary.

II. Determination of Quorum

With owners represented in person and proxies received a quorum was confirmed.

III. Approve Previous Meeting Minutes

Mr. Prokop mad a motion to approve the minutes of the July 3, 2012 Homeowner Meeting as presented. Mr. Follett seconded and the motion carried.

IV. Board of Managers Election

Mr. Fricke was appointed to replace the unexpired term of Mr. Nix, who resigned from the Board. The terms of Mr. Fricke and Mr. Pringle expired and both expressed their interest in running again. Mr. Khalilian submitted his nomination after the ballots had been printed and

was a write-in candidate. There were no nominations from the floor. Secret ballots were tallied and Mr. Pringle and Mr. Fricke were reelected.

V. Real Estate Report

Mr. Pringle presented the real estate report and handed out information on current listings and previous sales at the three Ranch Associations. There are currently eight properties on the market and one under contract, with closing scheduled for tomorrow. There have been seven sales in the past year. Residential sales throughout the County are currently up 14% over last year. In Keystone only, 2012 residential sales increased 43% over 2011 and are currently 4% ahead of last year. As of June 30, 2013 there were 288 total listings in Keystone, representing an inventory of approximately one year. Sales prices are comparable to 2006. Mr. Pringle believes the market will turn the corner this summer.

VI. Financial Update

A. *2012 Year-End Statement of Operations*

The Association ended the year with a surplus. A portion of the surplus was used to write off bad debt and the remainder was rolled into the Replacement Fund.

B. *Year-to-Date Statement of Operations*

As of May 31, 2013 the Association was operating \$57 favorable to budget. There were two owner delinquencies. One of the properties has been sold and the new owner plans to repay six months of back dues. Savings have been realized this year by cutting down fewer trees and eliminating the additional paid for Sheriff patrols.

All the Replacement Funds have been separated into specific line items with balances of \$511,732 in Capital Equity, \$2,886 in the Pool Reserve and \$21,450 in the Water Reserve. A Reserve Study will be done for the pool in the coming year.

VII. Manager's Report

A. *US Forest Service Contract*

The contract expires July 31, 2013 and the contractor has indicated the work will be completed by that time.

B. *Tree Removal*

There were 1,200 trees removed in 2007. This number has been steadily decreasing and only 32 were removed last year. The contractor has estimated that 15 – 20 trees will need to be removed this year.

C. *Tree Spraying*

There will be an average of 15 trees sprayed around each home and 600 pheromone packets will be placed on trees in the common areas.

D. *Weed Spraying*

The first round of weed spraying was done last week.

E. Common Area Clean Up

The staff has been working on clearing the gravel from the roads and weeds from the drainage ditches. Slash removal will continue throughout the summer. Owners can place slash from their yards at the end of their driveway and call Property Management to request a pickup.

F. Security Cameras

There are two motion activated security cameras at the guard shack (one for each direction) and one at the trash area. Owners were reminded not to leave large items in front of the dumpster. Property Management can assist with disposal of large items.

G. Automatic Payment of Association Dues

About 2/3 of the owners are participating in the automatic dues payment system. Owners who have not yet signed up are encouraged to do so and should contact Property Management for instructions.

H. Design Review Board Applications

Any exterior changes to properties including landscaping must be pre-approved by the Design Review Board. A link will be added to the Association website.

I. Roads Update

The gravel was cleaned off, the cracks were sealed and holes were patched. Chip sealing of all roads except those scheduled for an overlay next year will start on July 8th.

J. Driveway Repairs

There will be significant asphalt work on some of the roads next year. Some of the driveways need maintenance, which is an owner responsibility. It may be possible to receive a favorable rate next year when the asphalt is being done. A list of contractors who can do repairs or asphalt replacement was included in the meeting packet.

VIII. Water System

Mr. Pringle explained that Vail Resorts owns the water system and all the infrastructure. Vail Resorts recently hired the Tetrattech engineering company to complete a water study. Their report recommends a variety of projects, including construction of a security fence and drilling of a third well this year for a total cost of about \$180,000.

The Boards have been informed by Vail Resorts that the costs for operation and maintenance of the system will be passed on to the Associations. In preparation for these future expenses, the Water Reserve contribution has been increased from \$10/home/month to \$50/home/month.

The Association's attorney was asked to research the water issue but he was not able to find anything that indicated the Association could refuse to take responsibility since the Ranch owners are the end users and benefit from the system. The third well will be drilled this summer in the same area as the existing two wells. The cost for the new well is anticipated to be about \$35,000.

The Board has also been told that new state regulations might require installation of a filtration system based on the proximity of the wells to an open body of water. The cost for the filtration system would be about \$500,000.

The attorney has been asked to prepare a water use agreement suggesting Vail Resorts be willing to finance and amortize the cost of the filtration system over the life of the asset. This would equate to about \$32.80 per owner per month. The Board will keep owners informed as more information is obtained.

Mr. Levy added that the attorney felt the Association would only have a 50% chance of winning a lawsuit. The Associations could ask for a declaratory judgment from the court but it is likely that the Associations, as the end users of the system, would probably end up paying for it.

IX. Four Corners Update

Mr. Pringle said the KOA and KCL were still interested in making improvements to the Four Corners area. The new Vice President of Hospitality, Mr. Estes, wants to elevate the image and status of the Resort and is receptive to hearing ideas to improve the Highway 6 median and corridor. He has indicated he will start reviewing the ideas after the July 4th week.

X. Set Next Meeting Date

The Holiday Social will be Friday, 12/27/13 at the Keystone Ranch. The next Homeowner Meeting date will be coordinated with the other Ranch Associations. There will be an owner picnic this afternoon at 5:00 p.m. An owner golf tournament will be scheduled again for next July.

XI. Open Discussion

Mr. Follett asked if the mixed recycling was actually being sorted. Ms. Poole said it was sent to Denver where it is mechanically sorted.

Mr. Follett asked when the pot holes would be filled on Keystone Ranch Road. Mr. Poole said she has been working with the Keystone Roads Department and she will be meeting with them to discuss this topic on Wednesday.

An owner asked if there was an electronics recycling facility in Summit County. An owner said that there will be an electronics recycling day at the Summit High School on August 10th. Alternatively, the landfill will accept electronics for a small fee.

XII. Adjournment

With no further business, a motion was made to adjourn the meeting at 2:12 p.m.

Approved By: _____ Date: _____
Board Member Signature