

BOARD OF DIRECTORS DISCLAIMER: This document is not a Board of Directors-approved representation of the January 16, 2007 Community Meeting. The Board of Directors assumes no responsibility for the accuracy of the statements contained herein, nor does the Board of Directors imply the statements of this document are accurate. This document is made available for the members as a courtesy to the membership of the Association.

**Summary of the King's Deer (KD) Community Meeting
held by the Board of Directors
January 16, 2007**

Board Members Attending: Allen Alchian (President), Rich Paul (Vice President), Mary Fortey (Treasurer), Steve Balog (Secretary), James Ramsey (Community/Common Areas), Dan Potter (Communication)

Meeting Chair: Allen Alchian (President)

HOA Attorney Attending: Kenneth Gray

Developer Representation to address Topic #2: Brent Hawker

Meeting Summary Written by: Corinne Solano (homeowner)

Meeting Recurrence: First time held; will be repeated quarterly

Topics

- 1. Snowplowing**
- 2. Purchase of Multiple Lots by Richmond Homes and Lennar Homes (previously known US Homes)**
- 3. Merging of Covenants**
- 4. Committees & Participation by Homeowners**
- 5. Filling Vacancy on Board of Directors (BoD)**
- 6. Homeowner Objectives, Questions & Answers**
 - 6.1. Code of Conduct (Ethics Document for the HOA Board) / Conflict of Interest**
 - 6.2. Speaking on the Record**
 - 6.3. Varying Design Standards**
 - 6.4. Need for Water Usage Committee**
 - 6.5. Vision of KD?**
 - 6.6. Need for Budget Oversight Committee**
 - 6.7. Need for a Parliamentarian and the Associated Cost to HOA?**
 - 6.8. Challenging the Validity of 2006 BoD Election**
 - 6.9. Proposed Community/Rec. Center still Active?**
- 7. Meeting Adjournment**

1. Snowplowing

All roads in KD are maintained by the city. School routes are highest priority. Second and tertiary roads follow. HOA can not put any priority on which roads get plowed first.

2. Purchase of Multiple Lots by Richmond Homes and Lennar Homes (previously known US Homes)

Dan Potter, Brent Hawker, and Paul Thompson (3 developers) have recently entered into contracts with Richmond Homes and Lennard Homes to build in KD.

There are pending sales and future sales between the developers and these companies. 5 lots in Highlands are currently pending. 5 additional lots in Highlands are to be sold in April 2007. 9 additional lots in Highlands to be sold by the end of 2007.

Hawker said the following, with questions from the audience:

Hawker: "I personally do not live in KD, but we, the developers are proud of what we built. Our goal is the value of the community. The 3 developers are united what we are doing. We have been in business together for the last 15 years."

Hawker: Richmond/Lennar homes in KD to be in \$700k-\$900k price range. Supposed to be compatible with existing homes in that price range. Supposed to be custom-luxury homes.

Hawker: Developers still own about 30 lots after the sale to Richmond/Lennar.

Hawker: "No reason to tell you (the KD homeowners), what is in the contracts until they are finalized."

Homeowner: "But Richmond Homes already advertises that they are building in KD and that there are 4 house plans to choose from."

Hawker: "We have no control what and when Richmond says or communicates."

Hawker: "At the appropriate time, we (the developers) will tell you (the HOA, the homeowners) what is in the contract".

Hawker: "We will not comment, if the contracts with Richmond and Lennar will fall under ACC (KD's Architectural Control Committee follows design rules and does architectural house approvals) guidelines or what will follow the ACC guidelines."

Homeowner: "But we will not have time to change anything, once the contracts are completed."

Homeowner: ACC wrote to Paul Thompson on August 13, 2006 and the letter says that Lennar is misplaced to build homes in KD. There are only 4 home types to choose from vs. building of custom homes. It is a concern to protect the value and integrity of the community. Allan Alchian (new KD President) wrote that letter.

Alchian: "I still feel that way." It will be tough on the ACC to follow the design standards and that those are met by Lennar/Richmond. When the plans come in to the ACC, then ACC needs to weigh what design standards are met. "I assume that the first home will get approved. The second home will need to have a variation in design. With the third home, that's when things get testy."

Homeowner: Concern that Richmond/Lennar are "box builders" and follow a cookie cutter system and do not build with different house elevation. It is time consuming to redraw, and resubmit plans to the county/city, therefore box builders will follow a similar pattern for each home plan.

Alchian: KD will hold Richmond/Lennar to a higher standard.

ACC Member: reviewed 3-4 home plans by track home builder last year and all standards were met. Most track plans/homes built in North Denver area and they fit into the community.

Homeowner: Every home needs to be held to the same standards with the ACC approval. The problem starts when there is replication of homes.

Alchian: Richmond/Lennar will need to submit plans for review and approval by ACC. The declarant (speak developers) can waive, or allow for special privileges to Richmond/Lennar to follow that is in contrary to the rules/regulations the ACC follows in their approval process.

Conclusion: Richmond/Lennar homes will follow a track home model (repeating floor plans), but it is up to the ACC to approve or disapprove plans. The first track home, because there is no other one similar in KD, will be easiest to approve by the ACC; others following will be under tough scrutiny to avoid replications/duplications. The big issue is still if Richmond/Lennar will need to follow ACC rules and guidelines that apply for any other home built in KD, or if the developers (due to their declarant rights until Dec 2009 they can use) will exclude or partially exclude Richmond/Lennar in their contract to follow the ACC rules and guidelines. We do not have any answers to that.

3. Merging of Covenants

Alchian: The covenant merger between Classic and Highlands is null and void. The covenants remain separate. "We want to put this all behind us." There is a new Covenant Committee for 2006 which homeowners can join.

Ballots from the Sept 19, 06 meeting were shredded.

Homeowner did not question board's quality, but has a problem with the process of "having kept the homeowners in the dark" about the covenant merger.

Alchian: "The board could have done a lot better with their communication and obtain the community's involvement. We do not want to repeat the same mistakes of the past going forward."

Homeowner: Huge exposure with amended and changed covenants that Highlands homeowners voted in favor of can still be filed with El Paso County Clerk and made official.

Alchian: No problem with Board signing any legal document to nullify the amended and changed covenants that Highlands voted in favor of, so they can not be filed with the El Paso County Court.

Allen Alchian and Kenneth Gray (new HOA attorney) asked Carol Hatrup to do a legal paragraph for the Board to officially sign that the Highland's homeowners are not legally bound to the changed and augmented new covenant contract (even if it did not merge with Classic's covenant), meaning that the Special Assessment, the \$400 annual dues cap, and the new process for changing covenants by home owner's consent vs. vote, etc. does not apply for Highland's homeowners, and could be filed with the El Paso County Courthouse to make them official and binding.

Also, Covenant Committee was established and homeowners are asked to volunteer and participate.

Conclusion: The covenant merger between Highlands and Classic from Sept 2006 is dead. Though, the Highland's changed, amended, and signed (meaning the majority approved it in the Sept 2006 Special Meeting) covenant contract needs to be legally signed by the Board that it is null and void, and can not at a later point be filed with the El Paso County Clerk. The Board will do this. Review discussions of the current covenant documents will be conducted by a Covenant Committee with homeowner's involvement.

4. Committees & Participation by Homeowners

Homeowners asked to sign up for the following Committees that will shape the Vision for KD. The committees will be listed in next month's Newsletter and homeowners asked to apply.

1. **Neighborhood Watch (existing)**: monitoring vandalism, etc. on each street and communicating it to the Board and the police.
2. **Covenant Enforcement Committee (new)**: ensure that current covenants are fairly and equitably enforced by the Board.
3. **Landscaping Standards Committee (new)**: establish minimal landscaping standards for brand new homes. Last year's effort by the ACC to establish a document with high landscaping standards fell through (because minimal landscaping for new homes can not even be accomplished) and the document is not being enforced.
4. **Design Standards Committee (new)**: ACC's rules and guidelines are 1.5 years old and it is time to review and update. "This effort is not initiated due to the Richmond Homes / Lennar Homes contract with the developers", commented Rich Paul.
5. **Land use Committee (existing)**: gives the board updates on any new developments (i.e. Wissler Ranch).
6. **Covenants Review Committee (new)**: figure out if/how the Classic and Highlands covenant documents may be put into one document.
7. **HOA Office & Meeting Space Committee (new)**: determine a new locale for the HOA Manager's office and a place the board and the homeowners can meet. The current Sales Office will be sold. The ACC has been meeting at the Woodmoor Barn. Homeowner meetings need to be located closer to KD, instead of Cathedral Pines or in a place like the Prairy Wind's school where there is a two hour limit. Suggestions were made for the United Methodist Church in KD and the Church of Woodmoor (105 & North on Furrow Road).
8. **Newsletter Committee (new)**: get more involvement for articles and assist with formatting.
9. **Phone Book (revived)**: establish a KD phone contact book.
10. **Spring & Fall Clean-up Committee (new)**: establish a neighborhood activity twice a year to put "beautification" into KD (i.e. paint the gazebo).
11. **Welcome to KD Committee (new)**: establish a format to welcome new homeowners to KD and letters representing "how we survive on the top of the hill".
12. **Water Committee (new)**: address the over usage of water consumption by homeowners (i.e. educating homeowners on reading water meter and how to conserve water, provide visibility to each homeowner about their water consumption). Determine any water usage problems and establish a plan to resolve these for Classic and Highlands as individuals homeowners (getting their well capped), and that of the entire KD HOA (by the State to request to drill a new well). Update the HOA's record on the correct numbers of water usage (if there were wrong water meter readings).
13. **Budget Oversight Committee (new)**: establish and apply procedures to review the annual budget with the actual operating budget on a regular basis and inform the community of surplus / overruns, necessary steps to address budget concerns, and address any other budget related concerns. This committee was requested by two homeowners because there is a question of budgetary trust and the necessity to manage homeowner expectations regarding annual due increases (FYI, there is currently a cap of \$300 in the covenants for annual dues and the home/lot owners are paying the max allowed).

5. Filling Vacancy on Board of Directors (BoD)

Alchian: "Mr. Mark Lester retired / resigned in January 07 from the Board. Per covenants, the Board appoints a person for the open position with a term that ends in Nov. 07. The Board is asking through the Newsletter, Men's Breakfast, who would be a valid candidate to then interview."

Homeowner: It has been the Board's practice to take the next person from the board of director's election by the homeowners who has the next highest amount of votes. Why do you not do it this time?

Homeowner: "I hope animosity will not play into the decision by the board who they hire."

Alchian: "We do not want to be inconsistent with the bylaws and do not object to the previous practices by the board, but we want to first find out who wants to be serving on the board and what they can contribute, before we make a decision. We also want somebody who represents the choice of the community. The board wants to do an interview process and will make the decision on who will fill the open position. We want to build a board that is a good team. Blame me if you do not like that approach."

6. Homeowner Objectives, Questions & Answers

6.1. Code of Conduct (Ethics Document for the HOA Board) / Conflict of Interest

Homeowner: appreciates that board takes time to communicate in a forum like tonight. The increase in dues and the special assessment that was proposed and voted on in Sept 2006 with the amended and changed covenant merger caused a huge amount of attention and the way it was handled by the board caused discontent in the community. Also, 95% of the talk was done by one of the board member's attorney. We do not get things filtered by an attorney, but Board represents the membership. Personally, and it appears that also tonight's attendees are still concerned about the Board. Found on the internet an HOA Ethics document, called "Code of Conduct", which each Board member would sign. It contains topics such as "Integrity", "Conflict of Interest", etc.

It would go a long way with the community if the Board looked at this and took the time to sign it and post the "Code of Conduct" (HOA Board's Ethics Document) on the KD web site, so the community would feel more confident about the Board serving the community's interest. So we can trust you in the judgment you make.

Gave the document to Alchian.

Alchian: This "Code of Conduct" (HOA Board's Ethics Document) is well worth having. And I hope that the current and future board should sign it.

Homeowner: Presented a "Conflict of Interest" document used by the government. It spells out when one (Board member) needs to excuse him-/herself, i.e. when a Board member needs to excuse him-/herself from a vote or participating at a meeting when there is a personal interest or if a financial benefit exists. Any board member with such a conflict of interest should recuse themselves being on the board.

Hawker: Any homeowner has a financial interest.

Homeowner: asked if audience agreed with Hawker's comment.

Audience: clearly did not agree with Hawker's comment.

Alchian: If a conflict of interest exists (at the Board level or as part of the ACC), then that member needs to excuse him-/herself from voting on a topic where that conflict of interest becomes an issue.

Homeowner: I do not have declarant rights like one of the board members that pose a conflict of interest, when serving on the board and having business strategies that may conflict.

Ramsey: The integrity of the Board is very high. If there is a conflict of interest, that person will bow out from voting. Personally does not see any problems of conflict or problems of interest. KD is regarded as a premier community ("where the rich people live") by the outside. "Let's move forward."

Potter: Mary Fortey does not work for me anymore. Steve Balog works only two days a week in the KD sales office. If you are questioning Mary's or Steve's honesty serving as board members, talk to them directly.

Homeowner: Personally, no issue with the Board but an issue with the process. Going forward, "do it out in the open. Do not keep us in the dark."

Alchian: Board learned its lesson and will improve its communication (i.e. community meeting, committees).

Alchian: "Let us not rehash the past and fight issues in the past." "Let us move forward."

6.2. Speaking on the Record

Homeowner: In his 16 years of experience serving on Boards, the practice has been that everyone attending a meeting would be granted to speak and their statements/questions would be noted in the meeting minutes. Why did the KD homeowners did not get to speak and be put on the record (comments to be written in the meeting minutes)?

Alchian: One way is to get on the agenda for the Board meeting. Those meeting minutes will capture all the discussions.

Homeowner: Why can't quarterly meetings, like tonight's meeting, be written up in meeting minutes to serve as information for those who can not attend?

Alchian: Suppose it could be done. Once we call it an official meeting, then a quorum of the membership would be required.

Alchian: We could allow for homeowners to be on the record (minutes to be written and homeowner's comments to be captured in minutes) by doing a Community Meeting every three months as part of an official Board Meeting. Agree that it would increase the trust by the community; the points made here have a valid point. The Board will take this approach under serious consideration.

6.3. Varying Design Standards

Homeowner: "There are now two-story additional garages allowed to be built, to which I object. One-story additional garages are ok. Why are the two-story ones allowed?"

Homeowner: It was the common rule to have additional garages attached to the house. Now we have totally detached additional garages, to which I object. Why are the detached ones allowed?

Homeowner: With so many design changes allowed in KD over the last years, it would be possible for somebody to build a log home in the next years?

Homeowner: Do you have to be on the Design Standard Committee to become "part of the inner circle" to know about

what that committee decides and brings to the board to finalize and decide what will be implemented?

Alchian: The committees are not the only way for a homeowner to provide input. Once the board receives a committee's input, the board will propose the findings (i.e. new design standards) to the homeowners to avoid any surprises and to give additional input.

Paul: It is just coincidental that the request to review the current design standard has been made and that Richmond / Lennar Homes entered a contract with the developers in KD. The KD design standards do not have to change to accommodate houses to be built by Richmond / Lennar Homes. The reason to review the design standards started with the board's recent decision to allow for "colonial white" to be applied on the house on 475 Kings Deer Point E. and for the ACC document to reflect that change mandated by the Board. Now it is necessary to check if there are any other design items that need to be updated, or were missed.

6.4. Need for Water Usage Committee

Homeowner: How does the Board address the over usage by individual homeowners and by the HOA as a whole?

Alchian: Board is concerned about water over usage, but does not know how to address the issue. 10 homeowners did not respond to report their water meter readings and they had to be reported to the State of Colorado Water Board who monitors the water consumption. Empty lots not count in the water usage. Classic and Highlands have different water consumption allotments.

Potter: Highlands has a higher water consumption allotment because the developer realized after seeing the Classic's water consumption that a higher water usage needs to be allowed for Highlands when Highlands was established.

Hawker: Water Augmentation and Usage is not my specialty, but with every development we now undertake, each quick claim deed is conveyed to the homeowner after the sale.

Homeowner: There are 2 Water Augmentation Plans, one for Classic and one for Highlands. In those plans it clearly states that the HOA can fine a homeowner that has water usage over the allotted amount. If that homeowner goes continuously over that allotment, then the State of Colorado Water Board can cap that well.

If the HOA were to deplete the aquifer, the State of Colorado can defer to the HOA to pay for the drilling of a new well (that can get very expensive).

Homeowner: The water usage issues and findings from the Water Usage Committee will need to be linked with the Landscaping Standards Committees' requirements. I.e. how more trees/bushes affect the water usage.

Alchian: Keep in mind, bare property without any landscaping is not acceptable.

Alchian: A new committee for Water Usage is now added.

6.5. Vision of KD?

Homeowner: With so many changes (i.e. 2006 discussion of a Rec. Center, failed 2006 Covenant Merger, 2007 Covenant Review Committee, 2007 Richmond / Lennar Homes in KD) in the recent past and in the coming future, and the different views between homeowners who bought/built their house with a sense of what the community looks like vs. homeowner who purchase/built with a sense of what the community should look like, what is the Board's view of what KD needs to look like?

Alchian: The look and vision of KD is for the Committees that the new Board has now established to address and review.

6.6. Need for Budget Oversight Committee

Homeowner: There is need to add a Budget Oversight Committee to overview the operating budget (expenditures, revenue sources, etc.) and how it compares to the annual budget to identify overruns and savings, so the board as well as the homeowners understand how the monies are being spent and why the Board may request an increase in annual dues. At the moment, the annual dues are capped at \$300 in the covenants and annual increase is impossible. If though the 2007 Covenant Review Committee came up with the proposal to increase the cap to \$400 in any amended/changed covenants (as we have seen approached in the failed 2006 Covenant Merger), then there would be a change in the cap of the annual dues.

Fortey: We are currently doing the 2006 Audit and it will be available on the KD web site with the other financials.

Ramsey: The Board has started in 2006 to make the financials available on the KD web site for each homeowner to

review.

Potter: Does not see the need to have a Budget Oversight Committee.

Homeowner: My husband was the one who questioned his trust in how the board uses the annual dues during the Dec. 14, 2006 Special Meeting. He wants to be on that committee.

Alchian: A new committee to overview the budget is now added.

6.7. Need for a Parliamentarian and the Associated Cost to HOA?

Homeowner: Alchian has done a great job in facilitating (fair, concise, respectful, questions being answered, managing tempers) this meeting, why is there a need to hire a Parliamentarian at the meetings between homeowners and the Board, resulting in \$5,000/year and more cost to the HOA and for the homeowners not being able to speak?

Alchian: I hope, we would not need a Parliamentarian and do we really need a Parliamentarian?

Homeowner: You have at least 2 homeowners who know parliamentary law, so you do not have to spend thousands of dollars to hire one, if we could get the service for free or at a minimal cost.

Gray: "I recommended to the Board to retain a Parliamentarian for the next 1-2 Annual Meetings."

Homeowner: The Roberts Rules of Order are an excellent means of running an orderly meeting. Since very few organizations (including this HOA) understand Roberts Rules of Order, it is recommended to use "a simple set" of those rules and not to apply all rules to make the HOA meetings so complex.

Homeowner: The Roberts Rules of Order at the Nov. 14th Annual meeting were so scripted, that homeowners did not get a chance to be heard. Also, instead of continuing the annual meeting at a later date, the RRoO caused for the election results to be done in a Special Meeting that requires a meeting quorum and for new proxies to be mailed out.

6.8. Challenging the Validity of 2006 BoD Election

Homeowner: "We need a do-over of the election from 2006 of the Board members. I can set 3 citations why the election is invalid." One is, since the 14. Nov Annual Meeting was conducted under the "Roberts Rule of Order", mail-in ballots are not allowed. Though the board received mail-in ballots and the Parliamentarian granted mail-in ballots and recommended to go ahead with the election. The other one is that the Parliamentarian and/or the person presiding the Nov 14th Annual Meeting did not call 3 times during the meeting for all the ballots to be cast by each homeowner, resulting in at least one homeowner not to be able to cast all her ballots (her own and those she represented as proxy).

6.9. Proposed Community/Rec. Center still Active?

Homeowner: In 2006, there was a Focus Group to establish a Community Center in KD. Is that Community Center still being pursued?

Ramsay: The Focus Group met 3 times in 2006 because some homeowners asked for one and the group was supposed to check into if it made sense to have a Community. The dollar figures reviewed at those meetings were 100% speculative. There is nothing going on about a Community Center in KD now. The HOA does not have the money or a means to accumulate capital improvement dollars which are needed to build one.

Alchian: There would be a major change in KD funds needed to pursue a capital improvement, such as a Community Center.

7. Meeting Adjournment

Meeting was adjourned at around 10pm and homeowners went to sign up for Committees.

Comment to the above Summary:

This is not a transcript of the meeting. Statements/comments were written down the first time they were made; no repeats or duplications. Anything left out is made by oversight. Any comments/actions by participants that were inappropriate in nature or tone and did not aid the audience or the meeting were left out. Any spelling mistakes are to be forgiven.