



Board of Directors Minutes

June 21, 2007

Members Present: Corinne Solano (Treasurer), Penny Dyer (Common Area Maintenance), Marshall Boss (Covenants), Dan Rivers (Vice President), Dick Robertson (Secretary), Allen Alchian (President)

Members Absent: Mike Abplanalp (ACC Liaison)

Guests Present: Steve & Diane Boggs, Bob Sievert, Carol Hatstrup

Meeting called to order by President at 2:45PM.

I. Executive Session - Alchian called to order the executive session and invited guests to leave. Boggs commented on timing of Board meetings and executive session and asked since the homeowners who want to be at the meetings have to take time off work he would like to recommend to have the executive sessions at the end of the meetings. Robertson motioned to postpone hearings to end of business session. Boss seconded motion. Motion carried. Executive session will be held at the end of the regular business meeting.

II. Approval of Minutes

A. May 17, 2007 Minutes. Boss moved to approve with indicated changes. Rivers seconded. Motion carried. Minutes approved with corrections.

B. June 11, 2007 Minutes. The directors engaged in considerable and lengthy discussions on the wording of these minutes. Alchian will revise the minutes per the discussions and circulate another version of the minutes to the directors. Alchian moved tabling approval of the minutes until the next meeting or by email. Rivers seconded. Motion carried.

III. Committee Reports.

A. Budget Committee Sievert presented a spreadsheet of the 2007 budget and expenditures for the current year through June 27, 2007. Solano stated that she is looking into hiring a CPA/bookkeeper to monitor the financials. Sievert does not recommend hiring a bookkeeper at this time.

B. Covenant Committee Boss presented draft procedures for managing covenant violations. Robertson recommended including "association management" among those authorized to identify covenant violations. Robertson also recommended the introductory wording for the procedures for a third notice be similar to the introductory wording for the second notice. Solano recommended the document be presented to King's Deer legal counsel for review prior to approval. Formalization of this document is tabled until next meeting.

C. Arbitration Procedure Boggs presented a draft policy on arbitration and mediation services that the Board requested he prepare. This would serve as a voluntary mechanism for members of the association to resolve conflicts if they desire. Robertson moved to adopt as written and let it become a service to the community. Solano seconded. Motion carried.

IV. Water Well Authorizations. In a presentation to the Board, Dan Potter, King's Deer declarant, explained that there are about 24 more lots in King's Deer than the number of wells authorized by the State of Colorado. He said this was an oversight that only recently was discovered, despite numerous

reviews by many people including the county planning department, water attorneys, and others who had a significant interest in the details of the water augmentation plan.

Potter's office is now working to resolve the discrepancy. He filed the appropriate documents last month with the State Water Courts, requesting authorization for another 31 wells in King's Deer; this is about seven more than needed, and this is to ensure no future shortage of well authorizations will occur for any reason. He assured the Board that the declarants had far more water rights available than would be required for approval of this request, so the availability of water to support this request should not be an issue. He pointed out that the "wheels of state" turn slowly and that it might take 9 to 12 months to obtain the approval. He agreed to provide the Board with status reports about every three months. He also offered to provide the Board, in executive session, an opportunity at some future date, to meet with him and question his water attorney by speaker phone on this issue.

Dan Potter, in an aside comment, informed the Board that the Declarants would oppose any effort to separate the single Kings Deer HOA into the two original HOA's, Classic and Highlands.

The Board concluded that the shortage of well authorizations has no immediate impact on development in King's Deer because only when the last 24 lots to be developed would be impacted if the shortage is not resolved. Because there are so many vacant lots in King's Deer, this would unlikely become a problem for ten years or so. Therefore, resolving the shortage of well authorizations at this time will prevent any owners from being affected. The Board agreed to monitor progress on the additional well authorizations closely for the membership.

V. Meeting adjourned. Solano moved to adjourn and continue on Thursday, June 28, 2007 at 6:30 PM, same location. Rivers seconded. Motion carried.

VI. Meeting called to order 6:30 PM, Thursday, June 28, 2007, as continuation from June 21, 2007.

Members Present: Allen Alchian (President), Corinne Solano (Treasurer), Dick Robertson (Secretary), Penny Dyer (Common Area Maintenance), Dan Rivers (Vice President)

Members Absent: Mike Abplanalp (ACC Liaison), Marshall Boss (Covenants)

Guests Present: Steve and Diane Boggs, Julie Imada (Tri-Lakes Tribune), Bob Sievert

VII. Treasurer's Report (continued)

A Budget. Sievert presented a spreadsheet modified to include a draft budget and financial balance sheet year to date; he explained the different accounts. Discussion ensued between the Board members about the different monies allocated. Alchian reflected that the current financial situation is quite different from what was envisioned when the 2007 budget was developed almost a year ago; he suggested that because of the substantial unbudgeted expenditures in 2007, it might be appropriate to modify the present working budget accordingly. The Board requested that an additional column be added to reflect a revised 2007 Budget. Robertson recommended the treasurer and Budget Revision Committee chairman participate in preparing a new budget. Several Board members requested to be involved in the process.

B. Cheyenne Mountain Security. Robertson noted that the service provided from Cheyenne Mountain Security to the HOA is marginal, and lately CMS has been delinquent on providing monthly reports of their service to the HOA. Robertson moved to terminate our contract with Cheyenne Mountain Security effective July 1, 2007. Rivers seconded. Motion carried.

C. Tractor and Accessories. Solano moved to approve selling the tractor and all accessories with it. Robertson second motion. Motion carried. Dyer will collect all equipment in one place and start accepting bids. Bids will be confidential and there will be no deadline on receipt of bids.

D. Certificate of Deposit. The Citadel Bank CD signature authority has been updated by adding Solano and Alchian, and deleting former board members. Solano reported the CD will mature on July 12, 2007 and the anticipated monies payout at maturity will be \$54,232.90. Interest rate is 4.95%, resulting in \$1,322.11 earned. Directors requested that the Budget Revision Committee review the reinvestment options and make recommendations to the treasurer for a final decision. Rivers motioned to have the Treasurer make final decisions on monies for best return and flexibility in money, with prior notice to Board members. Robertson seconded. Motion carried.

E. Payroll Taxes. These taxes are paid through June and all reports are current.

F. 2005 Audit. Solano has received bids from four firms to produce a 2005 audit, a combined 2005 and 2006 audit, and provide daily bookkeeping.

G. Assessment delinquency letter have been mailed out certified. We have had a phone response from three.

H. Richmond Homes Compliance Fees. Alchian reported that compliance fees for new home construction were received from Richmond Homes through Paul Thompson.

I. 2006 Audit - Alchian drafted a letter to BiggsKofford expressing director's concerns about the content of the draft audit. The letter will be sent after reviewing it with Solano.

J. Assessment Fee Waiver for Past Directors. In response to an unresolved question of which past directors had been excused from paying their annual assessment and therefore did not pay their annual assessment, Solano prepared and presented a summary of all individuals who served on the Board of Directors during all years of the association; it also included the amount of the annual assessment for each year. Solano acknowledged that this listing does not indicate if the listed individuals paid their assessment during the year(s) that they served on the board. If the Board wishes to pursue this further that information must be extracted from the association's past records so we know whom to request payment of past unpaid assessments.

K. Forensic Audit. Solano recommended a forensic audit from 2004 through 2006 because complete financial records prior to 2004 are not available. She explained that as Treasurer she does not have the time to go through all the past records of the association to establish that no inappropriate activity occurred.

Solano feels we should move forward with regular basic business practices and put policies and procedures in place for the future. Alchian stated that since we do not have procedures in place to protect assets of the Community, each Board member should have a informational packet that includes all the tools and information on assets routinely handled and it should be received by newly elected board members right after the transition of the Board. This should be done every time there is a new board member.

Discussion between Robertson, Rivers, Dyer and Solano gave no definitive answer on whether or not we should proceed with request for a forensic audit. Robertson did state his strong opposition to spending any additional funds on looking backward rather than concentrating on moving forward. He pointed out his support for a 2005 regular audit.

Solano wishes to pursue the cost to have a forensic audit. Alchian stated that Solano as Treasurer is not responsible for anything prior to current audit. Solano may pursue what the cost would be

to carry out a forensic audit for the period she considers appropriate and then inform the Board for its consideration.

VIII. Secretary's Report

A. Status of the Association. We must resolve the challenged legality of the current single homeowners association by obtaining the membership's approval of a single association and amend the covenants to establish that we are a single association; or revert to two separate associations. Our counsel acknowledged that we have been de facto single association, but because the process creating a single association in November 2003 have been challenged and we have learned that the process to create the single association was not in accordance with the covenants, we are now obligated to properly create the single association or to revert back to our original legal status of two completely separate homeowner associations.

The Board concluded that an initial notice to the membership should not be a detailed review of all issues and possibilities. Rather, it will be an introduction to the problem and what are our options to resolve. The web site can be used to provide more detailed information and to post opinions of the membership about the available options. The Board agreed that community meetings, hosted by the Board, should also be provided to allow an open dialog and to ask questions of the Board.

Alchian agreed to again draft an initial notice to the membership, keeping it to only one page in length, along with a map showing the areas of "Classic" and "Highlands".

IX. Property Sales Information. In response to some member's concerns about King's Deer property values, Sievert presented to the Board an analysis of all homes sold in King's Deer during the first half of 2007 and compared those sales with all King's Deer homes sold in the same time period of 2006. The results, from the Pikes Peak MLS database, shows that the number of homes sold during these two time periods have remained constant at around 14 to 15. The data also show that the average sale price of King's Deer homes during the first half of 2007 increased 23.2 percent, from \$617,463 to \$760,845. The data also show that the average price per square foot has also increased to \$132.27. His conclusion was that the sales prices for homes sold in Kings Deer had not suffered. Robertson pointed out that this did not consider the homes not sold or the decision by Lennar Corp. to not move forward, which might be a contradiction of his conclusion.

X. Mowing Waiver Request. A written request from a Lancers Court property owner requested and extension to the mowing deadline for their property to August 15. Solano excused herself from the discussion and vote. Rivers moved to deny the waiver. Alchian second. Motion carried.

XI. Hearings

A. 18535 Wetherill Road

1. Recreational Vehicle Parking. Alchian summarized the association's published RV policy. After a review and discussion of the numerous incidents at this property, Robertson moved to approve a \$100.00 per day fine for any future violation of the policy at this property that occurs within the next 12 months. Rivers seconded. Motion carried.

2, Assessment Delinquency. After a review of the status of unpaid assessments, Rivers moved to lien the property. Robertson seconded. Motion carried.

B. 810 Lancers Court. Concrete plug in trail culvert. Following a review of the problem and discussion, Rivers moved to have the drainage under the trail restored by removing the concrete

and repairing the culvert, if it can be accomplished for an amount not exceeding \$500. Dyer seconded. Motion carried. Dyer will lead the action to obtain the necessary repair.

- C. 19720 Hunting Downs Way. Assessment Delinquency.** Wasson reported that this property is in the process of selling and that we can recover the unpaid assessments through the closing process. Board agreed to have unpaid assessments, late fees, and interest collected through closing.
- D. 19205 Sixpenny Lane. Assessment Delinquency.** Solano moved to impose lien for non-payment of the 2007 assessment if we do not receive funds by July 6. Robertson seconded. Motion carried
- E. 19255 Sixpenny Lane. Assessment Delinquency.** Rivers moved to impose lien if no payment receive by July 6. Robertson second. Motion carried.
- F. 19797 Kershaw Court. Assessment Delinquency.** Robertson moved to approve a lien on the property. Rivers second. Motion carried.
- G. 19625 Insborough. Assessment Delinquency.** Robertson moved to approve lien on property. Also, legal counsel will notify the owner of the imposed liens and that failure to clear all accounts by a date set by our legal counsel will lead to foreclosure. Rivers seconded motion. Motion carried.

XII. Adjournment. Next meeting time and date will be July 19 @ 6:30 PM same location. Two items to be held over to the next meeting are the unapproved June 11 minutes, common area maintenance issues, and the ACC report. Meeting adjourned 12:47 AM, Friday June 29, 2007.

Attachments:

1. Property Value Information
2. Arbitration Procedures
3. Covenant Report, June 21, 2007
4. ACC Report, June 21, 2007
5. Office Report, June 21, 2007

Minutes approved July 19, 2007

president

secretary