



Board of Directors Minutes

October 18, 2007

Members Present: Marshall Boss (Covenant Enforcement), Dan Rivers (Vice President), Allen Alchian (President), Mike Abplanalp (ACC Liaison), Penny Dyer (Treasurer & Common Area Maintenance), Dick Robertson (Water Conservation).

Guests: Mario Cafiero, Diane & Steve Boggs, Mike Davidson

I. Adopt meeting agenda

Robertson requested that with Committee reports "d. Nomination committee" should be added. Abplanalp moved to approve agenda with the addition. Rivers seconded motion. Motion carried unanimously.

II. Approve September 20, 2007 Minutes

Abplanalp moved to approve. Boss seconded motion. Motion carried unanimously.

III. Guest Presentations

No requests made by residents

IV. Officer's Report

A. Vice President

1. Governing Documents

Rivers reported that following meeting with the HOA Attorney, Jack Scheuerman wrote a letter to the membership which we have sent to all Association members. The president will send to the HOA insurance company a copy of Scheuerman's letter. The Board will task legal counsel to determine what has to be fixed in the governing documents. Once we have that information we will present it to the membership with a plan for accomplishing the necessary corrections.

2. A press release has been given to the *Tri-Lakes Tribune* and *The Gazette*, and has been posted on the HOA web site.

B. Secretary

1. Board Vacancy.

- a. Dick Robertson resigned as the Secretary, but will remain on the Board as a director. Mike Abplanalp volunteered to take on the duties of the Secretary. Boss moved to approve. Rivers seconded motion. Motion carried to approve the appointment with five in favor and Abplanalp abstaining.
- b. On October 14, 2007, the Board voted unanimously to appoint Rich Paul to the director position vacated by Solano. The term of this position ends in November 2008. Boss moved to appoint Paul as the ACC liaison because Paul is currently the ACC chairman. Rivers seconded. Motion carried unanimously.

2. Well Authorization Status.

No update on the status of resolving the shortage of wells for the subdivision but, Alchian expects to have an update for the November 13, 2007 Annual Meeting.

3. Newsletter.

The newsletter is printed and will be in the mail by Saturday, October 20. An email notice will be sent out also to those members who have selected to be on the email notification list. The mailed copies should be delivered to the local owners by Monday, October 22.

4. Annual Meeting.

The Board needs to establish the date of record for the annual meeting. This means that people who own King's Deer property on that date will be eligible to receive notice of the Annual Meeting, and to vote at the meeting in person or by proxy. Alchian proposed close of business on October 23, 2007. Boss moved to approve the date of October 23, 2007 at 5:00 PM. Abplanalp seconded motion. Motion carried unanimously

5. HOA Insurance.

Alchian met with the HOA insurance agent after the September 11 community meeting to establish that the agent and the insurance company's corporate offices are aware of the events in King's Deer. The agent confirmed they know what is happening in King's Deer and other associations they insure, and the company is comfortable with the legal status of King's Deer and with continuing the insurance coverage they are providing. Rivers recommended sending the agent a copy of Mr. Scheuerman's letter; Alchian will do that immediately.

6. Assistant Treasurer Resolution. Tabled.

7. Records Policy.

Alchian explained this is a pending update of the Records Review Policy to incorporate some items from the Colorado statutes and the 2005 Senate Bill 100. It is still being worked.

C. Treasurer

1. Financial Report

- a. Dyer distributed copies of the September 2007 Balance Sheet, Profit & Loss, and Aging Receivables and Collection reports. She noted that the Reserve Funds are \$8,000 below the amount recommended by our Reserve Study. Robertson recommended that any unspent money at the beginning of the 2008 year should go into reserves. Dyer noted that this year we have allocated \$19,839 to the Reserve Fund, and this is a substantial investment. considering the very significant legal fees we have absorbed this year. All reserve fund contributions voted by previous boards are accounted for under the Reserve Fund total. Rivers expressed compliments to Dyer, stating that this is the first time since April that the Board has credible financials.
- b. Robertson asked why the revenue for mailboxes showed only \$5,304 and the expenses were \$8,681 if there were no mailboxes in stock and none on order—the revenue should exceed expense. Dyer acknowledged that we have no mailbox inventory and she could not presently explain why the expense exceeded revenue; she will investigate it and report to the directors. *[Note: Subsequent research revealed that revenues for mailboxes sold by the HOA in 2007 had been deposited directly to the operating funds*

without being recorded specifically to the Mailbox Revenue account. All expected revenue has been accounted for. Dyer has corrected this to ensure revenues from the sale of mailboxes are properly reflected to the Mailbox Revenue account.]

2. 2006 Audit

Dyer reported that she and Alchian accepted 2006 audit as final, and that the auditing firm has been paid.

3. 2008 Budget

- a. Robertson questioned if we want to continue purchasing Highlands mailboxes for Highlands residents; he suggested the residents could simply order them themselves. If we want to be in the business of ordering and holding mailboxes we should increase the administrative fee above the current \$30. At the recommendation of Alchian, the directors agreed to defer the question of Highlands mailbox purchases for consideration by the new Board in place after the election of Directors at the Annual Meeting.
- b. Robertson noted that we have just received notice that the water augmentation contract cost for 2008 will increase \$1,500. Therefore, he moved to approve the 2008 budget with a \$1,500 increase to the water augmentation contract and a \$1,500 reduction to the Reserve Fund contribution to compensate. Boss seconded the motion and it was approved unanimously.

4. Citadel CD Status

- a. Dyer reported that we finally received our money from the Citadel CD and placed in a Wells Fargo five month CD. The Association had to engage our attorney to obtain access to the Association's funds at Citadel because a communication received by the bank from our former treasurer resulted in the bank freezing the Association's funds.
- b. Rivers moved and Abplanalp seconded the following resolution:

Whereas Corinne Solano, prior to her recent resignation as Director and Treasurer, and without notifying the Board as required by HOA policy, asked two banks holding Association funds to put such funds into a "constructive trust," and

Whereas, one such request caused in excess of \$50,000 of Association funds to be restricted from the Association's rightful access, requiring letters from the President and from the Association's Counsel to secure their release, and

Whereas, the Association has incurred costs totaling approximately \$400 to date in connection with the aforementioned unauthorized activities by Ms. Solano, now then

Be it resolved, that the Board condemn Ms. Solano's unwarranted, unprofessional, and malicious interference in contractual relations between the Association and its banks, and

Be it further resolved, that the Board declare that it is not waiving the Association's right to recover damages from Ms. Solano at a future time.

- (1) Rivers noted that some who read the minutes will interpret this resolution as being vindictive but explained it is not. Rivers noted that it was he who recommended that Solano be appointed to join this board in April to help improve relations between the HOA and a dissenting group of residents. However, over time it

became clear that Solano was on issues of the past, and not on the present or future. Rivers said Solano's action to freeze the funds was done just before she left the HOA board; he feels it was an intentional move to torpedo this Board. The action was unwarranted and not authorized by the Board, the funds were frozen for about a week without notification to the Board, and against the policy made by this Board. The Treasurer's authority to move funds was based on prior notification to the Board. This was a clear intent to prevent access to funds that the HOA had a legal right to access.

- (2) Boss said he opposes the motion because he does not see that this resolution contributes to resolving conflict in the community and moving forward.
- (3) Robertson said he will vote for this because we have had so many charges against the Board including theft, ignorance, and poor motives. Robertson thinks we need a way that the members should be aware people making these charges, including this individual, are in error.
- (4) Dyer stated that Solano requested that we have policies and procedures in place in case of change of Board member and has tried to contact her for that information and has received no response. Dyer has no way of knowing what Solano has done, if anything.
- (5) Abplanalp commented that he was extremely disappointed in Solano's actions in taking these steps as the Tribune reported, to go freeze \$50,000 of the homeowners monies with no other action from anybody in this room.
- (6) Alchian noted Solano's complete silence to the Board in regards to her freezing the funds. He said that if Solano believed this was a proper action, she should have notified the Board of her intent and not act unilaterally and without notice. The action of Solano was "malicious" because she interfered with our lawful access to assets, and therefore this must be recognized as such.
- (7) The motion passed with five in favor of the motion and Boss voting against.

V. Director's Reports

A. Common Areas

Dyer stopped all maintenance activity approximately six weeks ago because the Board did not know the 2007 financial situation. Now, with the latest financial reports she recommended we take advantage of some remaining 2007 funds to do a final repair to the trails prior to the ground freezing; she requested an immediate authorization of \$8000 for trail maintenance. Robertson moved to approve an additional \$8000 for maintenance. Dyer seconded the motion. Motion carried unanimously.

B. Covenant Enforcement

1. Covenant Violation Hearings

- a. 540 King's Deer Point. Second request for mailbox variance. Classic homeowner requested to install a Highlands mailbox. Board cited that the covenants are specific as to the type of mail box structure for Classic, and granting variances are based on unique

situations which are not evident for this property. The Board agreed to allow the owner attempt to obtain a covenant change if desired. The terms of a proposed agreement between the Board and the owner will be detailed in writing by Rivers. If accepted by the Board and owner, the Board will grant a temporary waiver while the owner pursues a covenant change.

- b. 1005 Trumpeters. Failure to accomplish lot mowing. The owner did not respond. The Board affirmed its decision to impose a \$100 fine plus reimburse for to cost to mow the lot.

2. Covenant Violation Enforcement Procedures

Boss reported that we have a response from our attorney on his review of the Covenant Violation Enforcement Procedures. Until the procedures are modified we will continue to follow the Board-approved procedures. He is working on updating them.

C. Architectural Control Committee

1. Abplanalp reported we have 54 active projects on file. ACC chairman, Rich Paul, will continue with updates on project status and closures. Twelve new homes have been approved and there are no new construction project applications awaiting approval. One of the approved new construction projects was rescinded by the owner. Volunteer project monitors have accomplished 13 project inspections over the past month.
2. 19870 Kershaw Court. This new construction project has stalled in its completion with only the driveway remaining to be finished. As a result, and after repeated contacts with the owner to forewarn of the consequence of not providing a timely completion, all \$2,500 of the construction compliance fee has been forfeited to the Association. The Board agreed to refer the continuing violation to Covenant Enforcement as a covenant violation for additional action. The Board also agreed that it is time to start ensuring that the landscape for this project is completed within the required time limits.

D. Executive Director

1. Board approved \$20 for the Executive Director to attend a January 8, 2008 class on liens and foreclosures. The office will therefore be closed that day.
2. We have received approximately half the required water meter readings.

VI. Committee Reports

A. Water Conservation Committee

Robertson reported that he, Alchian and Wasson attended the Great Divide Water Company annual meeting on October 17. King's Deer is a shareholder because it is through our membership in this company that King's Deer complies with the water augmentation requirements. The Colorado Division of Water Resources has adopted a new policy that states how to report delinquent owners regarding their annual water consumption; the likely consequence will be that higher consumption estimates will be attributed to delinquent owners, and a higher overall consumption for the homeowners association which will impact our annual water augmentation requirements. Also, the Division of Water Resources reportedly will become more aggressive in pursuing non-reporting well owners and homeowner associations.

B. Nominating Committee reported that for the three director positions to be vacated in November they nominate Mike Abplanalp, Marshall Boss and Penny Dyer.

Alchian reminded directors that the next board meeting is November 15, 2007, two days after annual meeting.

Rivers moved to adjourn at 9:11 PM. Robertson seconded motion. Approved unanimously.

Attachments

1. Attorney Letter, October 18, 2007
2. KD Press Release, October 12, 2007
3. September 2007 Financials
4. 2008 Budget
5. ACC Report
6. Office Report
7. Nominating Committee Report

Minutes approved November 15, 2007

/ signed /
president

/ signed /
secretary