



HOMEOWNERS ASSOCIATION

Minutes for 2013 Annual Meeting
October 5, 2013 at 9:00 MDT at the Ranch Headquarters

I. Call to Order and Establishment of Quorum

Dave Conine, President of the SCHOA, called the meeting to order. Virginia Nowicki reported that a quorum was present, including those present in person and by proxy.

II. Welcome and Introductions

Dave opened the meeting by welcoming all of the homeowners that made the time and effort to come to the homeowners' weekend. He introduced the members of the Board of Directors of the Association, then all of the individuals in attendance introduced themselves to others at the meeting.

III. Approval of Minutes for October 6, 2012 Annual Meeting

Motion to adopt the minutes of the Annual Meeting on October 6, 2012.
M/S/U.

IV. Elections and Confirmations

A. Voting Procedures – Ron Harris outlined the voting procedures, as described in the Elections and Voting Procedures document that was distributed to all homeowners in advance of the meeting.

B. Board of Directors (2 Board Members)

The two seats up for election in 2013 are those currently held by Dave Conine and Bob Pisano. Nominations were received and distributed in advance for both incumbents.

The floor was opened to additional nominations. Hearing none, a motion was made to elect Dave Conine and Bob Pisano to the SCHOA Board by acclamation. M/S/U (by show of hands).

C. Architectural Committee

1. Election (2 AC Members)

The two seats up for election in 2013 are those currently held by Florence Lemle and Chris Knowlton. Chris Knowlton declined to run again this year. Nominations were received and distributed in advance for Florence and Kent Van Riper (Kent is currently a Board appointee to the AC).

The floor was opened to additional nominations. Hearing none, a motion was made to elect Florence Lemle and Kent Van Riper to the Architectural Committee by acclamation. M/S/U (by show of hands).

2. Confirmations (1 AC Member)

Tom Taylor was elected at the 2012 Annual Meeting to a 2-year term on the AC, where the 2nd year of the term is, according to the Association's bylaws, subject to confirmation. Tom has indicated willingness to serve the 2nd year of his terms.

Motion to confirm Tom Taylor for the 2nd year of his term on the Architectural Committee. M/S/U (by show of hands).

V. SCHOA Manager's Report

Dave Conine opened this section of the meeting by setting the stage with a review of developments and activities at Spring Creek Ranch since the last Annual Meeting. He then turned the meeting over to Stephen Price, who gave the SCHOA Manager's report, covering items beyond those presented by Dave. Highlights included staffing changes and new team accountability at SCR, property maintenance and improvements, and plans for the upcoming year. There were several questions and comments from homeowners, to which Stephen responded.

One comment directed to the entire Board was concern that a number of homeowners missed the substantive presentations and discussion from

the Friday afternoon meeting, since they only attend the Annual Meeting itself on Saturday; the commenter's suggestion was to consider combining the two sessions in the future at the Annual Meeting on Saturday. Stephen Price noted that the practice of addressing non-decision issues of general interest at the Friday session was introduced a number of years ago, in part to shorten what had become a lengthy Annual Meeting. The sense of the homeowners expressed by a show of hands was to ask the Board to consider restructuring the agendas for next year's homeowner weekend so that issues of general interest as well as decision issues would be presented on Saturday, recognizing that a separate Friday session addressing rental program issues might continue.

VI. Committee and Other Reports

A. Finance Committee

1. Treasurer's Report

Bob Pisano, the Association's Treasurer, summarized the Treasurer's report. Highlights included:

- Overall, the financial condition of the Association continues to be strong.
- The Association has approximately \$2.3 million in reserve funds, about one third of which are for the project common reserve and the other two thirds are for the two separate site common reserves (Spirit Dance and Harvest Dance).
- The investment return was excellent again this past year (see attachment). A great deal of the credit for this goes to Homeowner and Finance Committee member Abe Suydam, who works closely with Merrill Lynch in the management of the reserve funds. Abe gave a brief overview of the financial performance of the Association's portfolio and the investment practices followed.
- Over the years the Board and Finance Committee have maintained a reasonably current reserve study, which serves as a guide to balancing the Association's policies and practices with regard to desired amount of reserve funds, level of insurance coverage, and borrowing capacity (primarily through

the Spring Creek Improvement and Service District). To date, the Board has concluded that, in its judgment, the reserve funds are adequate. With all of the recent improvements to Spring Creek Ranch's water and road systems, and given that the last update to the study was completed a little more than 5 years ago, an update to the reserve study is expected to be undertaken by not later than 2015.

- The Finance Committee meets quarterly, or as needed. Key responsibilities include review of each year's budget, insurance coverages maintained, and annual audits or accounting reviews. Year-to-date operating results for 2013 are tracking close to budget, with the exception of project common in which there has been a significant overage in legal costs (which is likely to be even greater by yearend). A modest change in the overall budget level is expected for next year. Insurance policies are expected to be renewed with moderate to significant premium rate changes. Finally, the Association received a "no material modifications" letter from Thompson Palmer, which is accountant terminology for a clean bill of health in the accountant's review of the Association's financial statements for yearend 2012.

Other members of the Board stressed the adverse financial impact of recent homeowner litigation against the Association, including the increasing difficulty that the Association is facing in finding D&O insurance. The Board believes that these actions against the Association have been without merit and unnecessary, and encouraged all homeowners to seek more reasonable and productive means of addressing any concerns that they may have.

2. SCHOA Accountant's Review as of December 31, 2012

Bob Pisano reported that, at the direction of the Board, an accounting review was conducted this year of the Association's financial statements as of December 31, 2012. A full audit was conducted for year-end 2010, so the Board determined that a review would be sufficient for 2012 (full audits are generally conducted every five years).

3. Resolution regarding Transfer of Excess Funds

The draft of a proposed Resolution (see attachment) was distributed at the meeting. The nature and importance of the resolution was explained by Ron Harris. It calls for the crediting of any excess operating funds as of the end of 2013 toward the 2014 assessments. This is a routine matter that is addressed at each Annual Meeting.

Motion to adopt the Resolution for Application of Excess Operating Funds. M/S/U.

4. Resolutions regarding Harvest Dance and Spirit Dance Insurance

The drafts of two proposed Resolutions (see attachments) were distributed at the meeting. The nature and importance of these resolutions for the townhouse subdivisions was explained. They are routine actions taken at each Annual Meeting, reflecting efforts of the SCHOA to avoid gaps in Harvest Dance and Spirit Dance townhouse owners' insurance coverage.

Motion to adopt the Resolution for Fire and Extended Coverage for Townhouse Units for the Harvest Dance subdivision. M/S/U.

Motion to adopt the Resolution for Fire and Extended Coverage for Townhouse Units for the Spirit Dance subdivision. M/S/U.

B. Architectural Committee

Tom Taylor, Chairman of the AC, gave a brief update on the activities of the Committee. He indicated that 14 homes are currently in various stages of construction. He also reported that the Committee anticipates continuing to make some relatively minor cleanup changes to certain provisions in the Architectural Guidelines and the processes for facilitating and ensuring compliance with them. An issue that will continue to require attention is trees; this includes pruning management so that views are preserved and encouraging the planting of fewer large trees,

thereby reducing future view obstructions and helping to curtail the use of excessive amounts of water to maintain landscaping.

C. Spring Creek Improvement and Service District

Ron Harris, President of the SCISD, provided an update on the work of the District over the past year, some of which was covered by Stephen Price in the SCHOA Manager's report. Highlights included:

- The water system and road improvements have been completed. No serious problems were encountered with the District's wells or booster pumps this past summer. All of the associated loans have been closed successfully, and the District's financial house is in order.
- The District is commencing a multi-year project to inspect and clean the SCR sewer lines. It will begin yet this fall with the portion of the sewer line that is relatively flat on the valley floor.
- With the new water meters in place, the District has now accumulated a little over a year's worth of meter readings. The process of analyzing usage patterns has begun, along with preliminary consideration of a new structure for determining individual homeowner assessments which will recognize water usage (along with other factors). Phase-in of the new assessment structure is expected to begin next fiscal year (i.e., begin July 2014).

VII. Old and New Business

A. Preliminary 2014 Budget, Assessment Schedule, and Payment Options

Bob Pisano presented a summary of the preliminary budget and assessment changes anticipated for 2014, based on the current draft of the budget. The biggest item of increase in the budget is for Project Common operating expenses – due to increased legal and insurance costs, increased transportation services, and expanded recreation items. A number of new reserve projects are also contemplated. The townhome subdivisions are expected to have assessments that are close to the levels for 2013; other subdivisions may have increases in their assessments due to the

higher Project Common operating expenses anticipated. Bob indicated that the Finance Committee and the Board have both reviewed the preliminary budget. A final budget and assessment schedule will be adopted at a Board meeting later this fall.

Payment options for assessments are expected to change in an important way for 2013. The option of prepaying annual assessments in a lump sum and receive a discount will continue. However, the monthly payment option will require the homeowner to have a credit card on file or an automatic bank payment arrangement in place; monthly assessment billings with homeowner remittance will be discontinued.

B. Litigation Report

Frank Hess, outside counsel for the Association, gave an oral report on the status of litigation during the past year.

C. Vision Committee and Improvement Plans

David Conine reported that the hoc Vision Committee had continued its work, around the overall charge of addressing changes or improvements that would enhance Spring Creek Ranch for the future. Michael Lehman has assumed leadership of the committee from Donna Falk. Donna, reporting on behalf of Michael, indicated that the focus for the committee has moved toward implementation of plans and development of longer range ideas for enhancements. She indicated that those ideas that either had been implemented or were in the process of being set up include:

- Installation of stone benches at three locations, including two view sites on the Ridge and one near the pond. The purpose is to provide places where Homeowners and others can sit and enjoy the view, and which can serve as waypoints or destinations for walkers.
- Installation of a paved sitting area under the trees near the swimming pool, in order to provide afternoon shade from the sun.
- Operation of expanded early morning hours for the SCR shuttle service to the airport (on an advance reservation and space available basis).

- Plans for grooming a cross country skiing trail at the top of the ridge (on a trial basis).

Donna solicited input from the Homeowners with regard to either the recommendations of the Committee or items to be added. One of the ideas suggested was to install flags at the SCR entrance.

David Conine thanked the Vision Committee for its work to date, and asked the Homeowners to continue to provide input and feedback. He indicated that the Board will continue to work with the committee on the solicitation, development, evaluation, and implementation of ideas for SCR.

D. Water Usage and SCR System

Ron Harris reported that while the Spring Creek Improvement and Service District has successfully completed a number of major projects over the past 2-3 years, two significant problem areas remain with regard to SCR's water system. First, a higher than desired proportion of water produced by the community's wells remains unmeasured through the water meter readings being recorded; some of the causes of this are known and are being addressed, but more causes remain to be identified. The District is actively addressing this concern.

The second significant problem area is the fact that SCR has been using about 16 million gallons of water per month during the peak summer months, and the smaller of its two wells can produce only 17 million gallons per month; this means that the smaller well must run 22 hours per day to keep up with usage. As build-out at SCR continues, the situation could become untenable should the larger of the well pumps fail. The SCR storage tank holds the equivalent of about one day's worth of water (plus fire suppression reserve) in terms of summer water usage. Adding a new large well to alleviate this risk would require an appropriate location to drill and would entail costs estimated to be at least \$0.5 million and probably closer to \$1 million.

Ron noted that the high level of water usage occurs only in the summer months, when landscaping is being irrigated. He presented some basic statistics on the distribution of water usage (see attached chart), noting in particular that the top one quarter of single family homes last summer accounted for 30% of all of SCR's water usage (including town homes and commercial operations).

The usage at each of these high water use single family homes was in excess of 250,000 gallons per month, compared to the median for all of the other single family homes of 75,000 gallons. If the high users dropped to the same level as other homes, total water usage would decrease by about 20%, which would enable the current water system to support all of SCR at full build-out.

This situation is a major reason why the District is focusing on homeowner water usage reporting and modification to the assessment schedule for water-related costs, in particular to escrowing funds from usage charges (or surcharges) for high water users; such funds would be saved to apply toward the cost of a new well in the future (should that be necessary).

E. Other Business and Open Discussion

Various items of general interest were discussed by the attendees. One item was the desire for attachments to meeting minutes to be included with the material posted on the homeowner website. The Association's Board and Manager agreed that this is a good point and that they would attempt to make sure that attachments are included in the future.

Clarification was requested by a homeowner concerning the Association's policy with regard to (1) the use of recreational facilities at SCR and (2) shuttle transportation services between the Ranch and the airport, Town of Jackson, or Teton Village. Ron Harris reviewed a summary sheet describing the Board's current policy (copy attached).

Ron indicated that Association recreational facilities (i.e., the pool, tennis courts, and outdoor spa) are available to all homeowners, guests (i.e., occasional non-paying family members and other guests), and tenants (of the Ranch, Amangani, or otherwise). The Association pays for the operation and maintenance of these facilities.

He noted that the Ranch gym and indoor hot tub (and the Amangani pool, gym, and spa) are not Association recreational facilities; their use is determined by their respective owners. With regard to the Ranch gym and indoor hot tub, all operating and maintenance costs are paid by the owner of the facilities. The Association currently purchases a membership for Homeowners and their occasional non-paying family members and other guests,

which entitles them to use these facilities. Usage of these facilities by tenants is determined by the owner of the facilities.

Ron further indicated that the Association purchases shuttle transportation service during normal operating hours for Homeowners and their occasional non-paying family members and other guests. The Association currently purchases this service from the Ranch commercial operation. Transportation service for Ranch and Amangani tenants is provided or arranged directly by the two respective commercial operations, who determine the provisions for such usage.

VIII. Adjournment – Upon completion of the business at hand, the meeting was adjourned.