



HOMEOWNERS ASSOCIATION

Minutes for 2011 Annual Meeting
October 8, 2011 at 9:00 MDT at the Ranch Headquarters

I. Call to Order and Establishment of Quorum

David Conine, President of the SCHOA, explained that a minimum of 50% of the members of the Association (as measured by the total number of eligible votes) must be present, in person or by proxy, in order to establish a quorum so that the business of the Annual Meeting can be conducted. He reported that there were 85 member votes recorded as present (in person or by proxy), whereas the minimum number needed to achieve a quorum for the 2011 Annual Meeting is 93 out of a total number of eligible votes of 185.

According to the bylaws of the Association, failure to achieve a quorum requires that the Annual Meeting be adjourned to a time not less than 10 days after notice of the Adjourned Meeting is given to the members of the Association nor more than 30 days from the time the original Annual Meeting was called. He then explained that the procedure that the Board has developed to deal with such a situation is as follows:

- ☐ An “informal” meeting (Informal Meeting) will be held in place of the formal Annual Meeting, using the agenda distributed for the Annual Meeting and conducting all business (votes, motions, adoption of resolutions, etc.) as if it were the formal Annual Meeting.
- ☐ All actions taken will be recorded in minutes of the Informal Meeting.
- ☐ For those homeowners present at the Informal Meeting that may not be able to attend the Adjourned Meeting, proxies will be solicited prior to the closing of this Informal Meeting using a Special Proxy Form suitable for the Adjourned meeting. The Special Proxy Form can be used for both (1) naming a new proxyholder for a homeowner’s own votes at the Adjourned Meeting and (2) assigning any proxies held by the homeowner to such new proxyholder.
- ☐ The Special Proxy Form includes an optional instruction to the new proxyholder which directs him or her to vote at the Adjourned Meeting to adopt all of the actions taken at the Informal Meeting as if it had been the formal Annual Meeting. Minutes of the Informal Meeting will serve as record of such actions. This instruction is optional, at the discretion of the homeowner when designating his or her new proxyholder. The Board encourages making such instruction to the new proxyholder.

At the Board meeting following the Informal Meeting, a date and time for the Adjourned Meeting will be determined, and notice to all members of the Association will be sent as soon as possible.

Following explanation of the nature of the meeting and the procedure to be followed, David

called the Informal Meeting to order.

II. Welcome and Introductions

David welcomed 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 2, 2010 Annual Meeting

Motion to adopt the minutes (see attachment). M/S/U.

IV. Elections and Confirmations for 2011/12

A. Voting Procedures – David 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 2011 are those currently held by David Conine and Hank Stifel. Nominations were received and distributed in advance for David and for Bob Pisano. Hank Stifel had expressed to David his intent not to run again, and David thanked him for his many years of valuable service on the Board.

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

C. Architectural Committee

1. Election (2 AC Members)

The two seats up for election in 2011 are those currently held by Chris Knowlton and George Kallop. Nominations were received and distributed in advance for Chris and Florence Lemle. George Kallop had expressed his intent not to run again, and David thanked him for his dedicated service on the Committee.

The floor was opened to additional nominations. Hearing none, a motion was made to elect Chris and Florence by acclamation. M/S/U (by show of hands).

2. Confirmations (1 AC Member)

Tom Taylor was elected at the 2010 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 a willingness to serve the 2nd year of his term.

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

V. SCHOA Manager's Report

Stephen Price gave the SCHOA Manager's report. Highlights included:

- Construction work on the deck support repair project for certain Choate units has been completed. During the course of this work, it was noted that some horizontal deck beams may need to be replaced, as well; the deck planking of all of the Choate units will be inspected in the spring. Reseeding of areas damaged by the construction will be done later this fall, and then again in the spring.
- The sewer lines in and around the Choate unit section of the Spirit Dance subdivision have been serviced.
- Trees have been fertilized in the Spirit Dance and Harvest Dance subdivisions. Some pruning of trees may be needed next year.
- Sprinkler repairs have been completed in the Spirit Dance and Harvest Dance subdivisions.
- The cattle guard at the entrance to SCR has been replaced.
- Grading has been completed for an access road to the water tank, and landscape repair and mitigation has been undertaken.
- The center stripe on the road has been repainted.
- A section amounting to 550 feet of the fence surrounding the property has been replaced (part of a multi-year capital project).
- Chip sealing of East Butte Road from the entrance of SCR to the Ranch Headquarters building was deferred this year, due to considerations involving cost and supply of materials. The Association Board has directed Nelson Engineering to examine the condition of the various segments of the SCR road system and to help put together a multi-year plan for its continuing repair and maintenance. As part of that plan, the type and sequencing of maintenance work needed on East Butte Road and its timing will be addressed.
- The historical barn located off of North Spirit Dance Road has been stabilized and repaired. A ceremony commemorating the history of the barn is expected to be held next year; information will be distributed about this event and the history of the barn as it becomes available.

There were several questions and comments from homeowners. One concerned the overhead lighting at the SCR entrance at the bottom of East Butte Road and at the sign at the top of the butte (for the Ranch Headquarters, Granary, and Amangani Hotel). Stephen reported that some of the overhead lights became misdirected during the course of work at the entrance; this has been corrected, although the intensity of lighting remains low, consistent with SCR policy regarding outdoor lighting. The low voltage lights in the sign at the top of the butte have design issues that are being evaluated.

Another issue raised was a concern with what appears to be damage to the exit roadway that may have been caused when the cattle guard was replaced; Stephen agreed to look into the matter.

Stephen also introduced Dave Hansen, who is his new assistant and who will serve as the homeowner liaison. His direct phone line is 307-732-8102, and his email address is dhansen@springcreek ranch.com.

VI. Committee and Other Reports

A. Finance Committee

1. Treasurer's Report

Derek Goodson, Assistant Treasurer, gave the Treasurer's report (see attachment). Revenue from assessments year-to-date is very close to budget, but with one account significantly delinquent (a lien has been filed). Expenses for 2011 have also tracked the budget closely overall, with most subdivisions slightly below budget. Notwithstanding several significant reserve expenditures during the first nine months of 2011 (water system and Choate deck support repair, in particular), the Association's reserve funds of approximately \$1.7 million at the end of September remain healthy relative to the replacement reserve target.

Abe Suydam, a homeowner and member of the Finance Committee who works closely with our investment advisor at Merrill Lynch, gave an overview of the financial performance of the Association's portfolio. Although it has been affected by volatility in the financial markets, overall it has performed well.

On behalf of the Board, Ron Harris (Chairman of the Finance Committee) thanked members of the Committee for their work over the course of the year. He also recognized the important ongoing contributions of Abe Suydam in helping to manage the investment of the Association's portfolio and of Derek Goodson in maintaining detailed and transparent financial systems and budget-related models.

2. SCHOA Audit Report for December 31, 2010

Derek Goodson reported that, at the direction of the Board, a full audit was conducted this year of the Association's financial statements as of December 31, 2010. There were no concerns raised in the Auditor's Report. It is expected that a "review" rather than a full "audit" will be conducted at yearend 2011, with full audits routinely conducted approximately every five years. Derek noted that a copy of the Auditor's Report is posted on the homeowner website.

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 Derek Goodson. It calls for a crediting of any excess operating funds as of the end of 2011 to 2012 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 townhome

subdivisions was explained. They are routine actions addressed at each Annual Meeting, reflecting efforts of the SCHOA to avoid gaps in Harvest Dance and Spirit Dance homeowners' insurance coverage.

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

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

5. Overview of the Association's Budget & Assessment Schedule Development Process

Derek Goodson presented a brief PowerPoint overview of the budget and assessment development process that he uses on behalf of the Association. This process necessarily involves dealing with budget items that range from common expenses which are allocated between residential and commercial and then uniformly across residential homeowners, to site expenses which are carried to the level of the subdivision and the individual units within each subdivision. Derek reported that at the July meeting of the Finance Committee he had reviewed this same material with the members of the Committee, but in more depth using the actual detailed budget models and data from the 2010 budget and assessment schedule.

Derek extended an open invitation to walk any homeowners who are interested through details of the budget development process that he follows.

B. Spring Creek Improvement and Service District

Ron Harris, President of the SCISD, provided an overview of the history and role played by the District. He also described the close relationship between the District and the Association – with the District owning and, where appropriate and feasible, providing funding for basic water, sewer, and road infrastructure and the Association managing the operations and participating in funding. He then reviewed the stages of the water system improvements project underway this year, and the funding of the majority of this work using State loans, one of which carries a favorable fixed interest rate over a 20-year term and the other a zero interest rate and 25% principle forgiveness over a 20-year term.

The 1st stage of the SCR water system improvements project was replacement of the telemetry system. This work was completed and the communication system was operational by mid-summer this year. The 2nd stage is replacement of the water system's booster pumps and related controls and other infrastructure. A contract has been awarded; work under this contract is expected to commence later this month and be completed early in 2012. During the construction period, strict controls will be in place to ensure an adequate supply of water.

The 3rd and final phase of the overall water system improvements project is the installation of water meters throughout the entire system, including individual residential and commercial units, and a computer-based system for reading and monitoring water

supply and usage. The timeline for this phase of the overall project calls for contracts to be awarded prior to the end of the year, indoor installation of water meters to be done during the January-April 2012 timeframe, and remaining outdoor work to be completed prior to the start of the summer season next year. Communications which describe the process and deal with the scheduling of installation in individual single family homes and townhome units will be forthcoming.

General discussion ensued regarding the entire project and its funding. Of particular concern has been the amount of water that may be going to landscape irrigation. Water usage for the irrigation of common areas will be metered directly. The ability to detect leaks in the water system will be improved significantly. In addition, water usage for individual single family homes will be metered directly; such metering will not be separate for irrigation versus domestic household use, but variations among homes will be measured. After a period of collecting information on usage (at least a year), the Board and District are committed to analyzing the data and considering the questions of whether charges for usage of water should be modified; and, if so, how this might be done.

C. Architectural Committee

Tom Taylor, Chairman of the AC, gave a brief update on the activities of the Committee. He indicated that steps have been taken to improve the Architectural Guidelines and the processes for facilitating and ensuring compliance with them. He noted that there are four homes under construction at this time, with the possibility of one or two more new starts within the near future. An issue that will require increasing attention is trees; this includes pruning management so that views are preserved and encouraging the planting of fewer trees, thereby reducing future view obstructions and helping to curtail the use of excessive amounts of water to maintain landscaping.

VII. Old Business

A. Summary of Developments since Last Annual Meeting

Dave Conine highlighted a number of the more significant developments since the Annual Meeting last year. Most of these were addressed in the various reports given. Discussion followed.

One development of importance that was not previously addressed concerns the period during which townhome construction may not take place (exterior or interior). The previous no-construction period was July-August; this has been extended to encompass the period from mid-June through mid-September. Various comments were made, suggesting that perhaps there should also be a restricted period during the winter season, with consideration of major versus minor work and the application of reasonable discretion; the Board was requested to consider this matter.

B. Emergency Exit from Spring Creek

David Conine reminded the attendees of the location of the two-track emergency exit that begins at the historical barn off of North Spirit Dance Road, runs down the butte

heading generally to the north, and then turns to the west and continues down to Spring Gulch Road. There is to be a gate at the bottom before entering Spring Gulch Road, to discourage traffic from driving up the two-track road. Information is to be posted on the homeowner website.

C. JH Land Trust Requirements

David Conine reviewed the relationship between SCR and the Land Trust, and the role that the Land Trust plays. The Land Trust is responsible for assuring that property under conservation easements for which it is responsible adheres to the conditions placed on it. In fulfilling this responsibility, the Land Trust makes periodic visits to such property, including those parcels under its easements at SCR. The Association pays for this monitoring. In return, homeowners may hike the affected property, take trail rides on horseback, and generally enjoy the views. A map showing the conservation easements at SCR is to be posted on the homeowner website.

VIII. New Business

A. Preliminary 2012 Budget, Assessment Schedule, and Payment Options

Derek Goodson presented a preliminary summary of assessment changes anticipated for 2012, based on the current draft of the budget (see attachment). All subdivisions are expected to have assessments that are slightly lower than for 2011, and units within them are expected to have assessments that are the same as or slightly lower than for the current year. Derek also summarized key drivers of the budget changes for 2012. 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 are expected to remain the same as for 2011. They are either a lump sum payment (with discount) or monthly billings.

B. Bylaw Amendments

Three proposed bylaw amendments were distributed (see attachment) and described by Ron Harris.

The 1st proposed bylaw amendment involves the process to be followed in the event of failure to achieve a quorum at a members meeting (such as the Annual Meeting). It would serve to codify for the future the process being used for this year's Annual Meeting, which involves an Informal Meeting, solicitation of proxies for the prescribed Adjourned Meeting, and the option for a homeowner to instruct his or her proxyholder to vote that the actions of the Informal Meeting be adopted when the formal Adjourned Meeting is held. This process is described at the beginning of these minutes, and is addressed in paragraph (c) of the proposed bylaw amendment (paragraphs (a) and (b) are essentially unchanged from the current bylaws).

Motion to adopt the bylaw amendment dealing with the process to follow in the event of a lack of quorum at a members meeting. M/S/U.

The 2nd proposed bylaw amendment would change the wording of a current bylaw provision that allows the Board to take actions without a meeting, such as via email, so long as all members of the Board agree to handle the matter without having a meeting. There is a similar change anticipated for the Architectural Committee bylaws, so that the two groups have the same wording.

Motion to adopt the bylaw amendment dealing with the Board taking action without a meeting. M/S/U.

The 3rd proposed bylaw amendment would introduce a conflict of interest provision to the bylaws. It was anticipated that the Architectural Committee would adopt a similar provision. After discussion of the specific language in the proposed bylaw amendment, it was withdrawn for further consideration by the Board and possible action at next year's Annual Meeting.

C. Updated Web Site and HO Directory

Derek Goodson described the general nature of the updates that have been made to the homeowner web site. These changes, while not fundamentally altering the appearance of the web site, should make it easier to use and to locate information. A substantial amount of new material has been added to the web site during the past two weeks; however, work remains on populating it fully with the desired content.

One important enhancement is to add a homeowners directory. All homeowners are asked to make sure that Dave Hansen has up-to-date information for this purpose. There was discussion about the specific information that might be accommodated in the directory. Derek and David agreed to look into these matters further, with the first step being to get a basic directory assembled and loaded to the web site.

D. Long Term Vision for Spring Creek

David Conine presented the Board's thoughts about attempting to establish a long-term vision for SCR. The Board thinks that attempting to do so is important, even if the eventual conclusion is to keep things as they are. David will be forming an ad hoc committee, which he will chair, to examine this matter and report back.

David also indicated that the Board plans to evaluate the prospects for applying to become a designated "resort district", which would enable the imposition of an addition to the sales tax on commercial activities at SCR that would go to the resort district to pursue its stated objectives. Having a resort district designation might be a component of a strategic vision that would provide a broader revenue base for improving and maintaining homeowner and guest amenities at SCR.

E. Open Discussion

A variety of items of general interest were discussed. One item of particular importance to a number of the homeowners present was the desire for information to be made more readily available, including through regular communications and timely postings to the homeowner web site. The Association's Board and Manager agreed that this is important and will make efforts to do so.

David indicated that a questionnaire concerning the homeowner weekend was available, and he encouraged all attendees to complete it in order to help with the Board's planning for future meetings.

- IX. Adjournment** – Following a request for proxies from those homeowners who will not be able to participate in an Adjourned Meeting to be scheduled within the next month, the meeting was adjourned.

