

ARROWHEAD IMPROVEMENTS ASSOCIATION, INC.
BOARD OF DIRECTORS MEETING MINUTES
SATURDAY, OCTOBER 18, 2014 – 2:00 p.m.
ARROWHEAD FIREHOUSE

Pledge of Allegiance: President Mike Wigent asked veteran Rich Leary to lead the Pledge of Allegiance and thanked him for his service to our country.

Call to Order and Determination of a Quorum: President Mike Wigent called the meeting to order at 2:03 p.m. Board members present were President Mike Wigent, Vice President John Moseman, Treasurer Al Hale, Member Sharon Pugh, Member Kathy Krohn, Member Tim Carlson and Secretary Linda Squirrell. A quorum was determined to be on hand.

Adoption of Agenda with any Additions or Deletions: John asked to add his report on Hazel Lake to the agenda. Kathy moved to adopt the agenda as amended and Sharon seconded the motion which carried unanimously.

Report on Friday's Special Meeting (including Executive Session and Work Session): Mike reported that the Board dealt with personnel, legal, delinquencies and privacy issues at the Friday morning executive session in accordance with CCIOA executive session rules.

At the Work Session the Board discussed the items listed on Friday's agenda plus John's report on Hazel Lake and had an education session on collections thanks to owner and attorney Rich Krohn (who was not representing the Board but only providing education).

Approval of September Minutes: Linda asked for corrections from the Board and/or the audience. Hearing none, she moved to approve the minutes of the September Board meetings with the correction of the spelling of one name. Her motion was seconded by Al and approved unanimously.

Review of Financial Statements: Al reviewed the latest financial statements for AIA. Under the Income Statement, Al noted that Item 410, Membership Lots Assessments YTD, is typical for this time of year; Item 439, Waste Disposal Fees is running \$1,000 better than last year (thanks to all who are paying for this) and broke down the \$3,200 spent on Legal, Item 550. \$2,200 of this was for Masters' work on delinquent accounts including filing liens, attempting to locate owners

who have disappeared without paying their delinquencies, etc. \$1,200 of this total was spent with Law of the Rockies on Election Committee questions and an owner issue. Line 702, Equipment Building Maintenance, shows the \$1,500 spent on improvements to the Warming Hut as outlined in last month's minutes. Line 716, Road Materials shows the \$14,000 spent to replenish our gravel supply.

The new item added, Item 848, is the groomer at \$55,000 for our new used machine. There will be another \$1,000 charge for its delivery to Arrowhead which will show up on next month's statement. There were no questions on the financials.

Facts vs Fiction: Mike presented his report on misrepresentations being circulated and the facts on each item, which included: the Board only goes into executive session to deal with items that by law must be handled in that manner; the Board makes every effort to provide extensive information and notices to members and is available via phone or e-mail should owners want to contact them for additional information/questions; the Board has never discussed or suggested dissolving the Association and starting over with new governing documents; Board members do their best to be familiar with and understand our governing documents so that they guide Board decisions. This report will be attached to the minutes.

New Business Action Items:

- **Set Dates for 2015 Board Meetings:** Linda Squirrell moved to approve the following dates for 2015 Board Meetings. John seconded the motion. It carried unanimously. The dates are: Special Meetings (including executive and work sessions): Friday, May 15, Friday, June 19, Friday, July 17, Friday, August 14, Friday, September 18, Friday, October 16 ; Board Meetings: Saturday, January 17 (both Special and regular Meetings), Saturday, May 16, Saturday, June 20, Saturday, July 18, Saturday, August 15, Saturday, September 19, Saturday, October 17. The Annual Owners Meeting and the New Owners Meeting will follow the August 15th Board Meeting and the Winter Owners Meeting will follow the October 17th Board Meeting. The January meeting will be held at the Inn at Arrowhead to facilitate attendance by all property owners. These dates along with place and time will be posted on the website as well as in Smoke Signals.

Approval of 2015 Budget after Owner Comments: Al explained the addition of \$336 to Line 725, Hazel Lake Repair, to cover the cost of electricity (since the meter will not be pulled as planned due to the cost to reconnect and have a State inspection). After answering questions from the audience, he moved to

approve the AIA 2015 Draft Revision A Budget with that change. Sharon seconded the motion, which carried unanimously.

Possible Approval of Storage Lease with ASC: Mike reported that this is a work in progress and is not ready for a vote at this time.

Hazel Lake Report: John had prepared a report to provide accurate information on where we are on Hazel Lake. This report will be attached to the minutes. He plans to provide educational meetings on this next summer and presented photographs to document his report. He confirmed that neither the pipeline from Arrowhead Lake to Hazel Lake nor the Hazel Lake dam are leaking. He explained the prior research and testing that has been performed on Hazel Lake to evaluate what is needed to enable it to hold the intended amount of water. From all this work, it is evident that the material to fix the lake is available at the lake. Repairing the lake will benefit all owners via recreational use and additional water storage both for future water needs and for firefighting. The primary source of water for this lake is spring runoff and the amount of water going into Hazel Lake is controllable since it is piped in to enlarge the naturally existing pool.

John also pointed out that the ditch from the 3 springs that feed Arrowhead Lake to that lake is the ditch that needs to be repaired and has been under discussion with Donny Squirrel. This ditch is approximately ¼ mile long.

John believes these repairs can be performed for about \$125,000, of which we already have \$50,000 in reserve. He suggests we do the work in 3 phases. John encouraged owners to call him with any questions. He would like to see the community put together a committee to encourage community support and organize fund raisers for it.

Reports:

Arrowhead Patrol: John reported that the winter parking lot is open but some people have placed trailers there without the required stickers. He reminded all to register their trailers with the Patrol and asked all to remove stickers from any vehicle they sell.

The Patrol is still working on winter staffing. The Patrol vehicle has been serviced for the winter and the new snowmobile is ready for pickup (Leonard will do this). The Patrol assisted with the delivery of the groomer up the Alpine Plateau Road on a very wet day.

Communications: No communications report was presented.

Design Review: Joyce reported that the committee is pretty much done its work for the season but is available if owners need their help. She reminded all to put up a sign at their driveway. Her written report will be attached to these minutes.

Forest Management: In Bill Conway's absence, Mike read his report which covered the 11 grants he has been working on for property owners, the MCH packs ordering information and information from CDOT indicating that they plan to work on Hwy 50 between where they left off west of the igloo to the east entrance to the canyon next spring/summer. We know of no log hauling on the Alpine Plateau Road for this winter at this point. Bill's report will be attached to the minutes.

Maintenance & Heavy Equipment: Linda reported that Will has graded the parking lot for the winter and that the lot opened on October 15th. Filing roads and ditches have also been prepared for winter. Beavers are again a possible problem for part of the Alpine Plateau Road and neither the County nor Parks and Wildlife are able to assist us at this point. Will is monitoring the problem. She pointed out that the Parks and Wildlife Department only offered information on small game licenses and beaver hunting season. Her report will be attached to the minutes.

Fire Department Report: Fire Chief Jim Gelsomini reported the addition of one new, young firefighter, that year to date the department has over 200 hours of training, and that Doug and Mary Cockes helped him audit all the hose boxes. He thanked the numerous property owners who have worked on equipment for the department including Rich Leary for his work on radios. He explained all the winter preparations being made and asked owners to let him know if they notice an AED with a temperature lower than 30 degrees.

Mike reminded everyone that, if they use equipment in the warming shed, they need to let the fire chief know if something needs to be repaired or replaced. And, of course, folks should always call 911 first in the event of an emergency.

Board Announcements: Mike read his thank you note and response to Don Gladwell for his prior suggestions of hiring professional HOA management. He also went over the report he presented to the Board at yesterday's work session primarily indicating that the cost would be prohibitive and it would not absolve the

Board of its responsibilities. He also pointed out that the Board consults legal counsel for advice as needed. He was pleased to report that the company he talked with felt that our HOA was way ahead of most HOA's they're familiar with.

John highlighted the report he gave the Board yesterday on this topic and suggested that the cost could easily be \$10/lot/month. John also noted that the key to good management of an association is the quality of the people elected to the Board. He emphasized that property owners need to stay informed and understand what it takes to run this association.

Mike encourage all property owners to vote since the ballots have gone out. Lindy Lindner reported that the ballots are steadily coming in and anyone who has not received a ballot should contact the AIA office to request a replacement ballot.

In answer to a question from the audience, Mike reported that Bruin is awaiting a part for the new compactor before they can deliver it. He will continue to keep in contact with them on the delivery date. He also thanked Rich Krohn for the collections education he provided to the Board at Friday's work session.

Owner Announcements:

All were encouraged to join the Arrowhead Snowmobile Club whether they snowmobile or not since it is a valuable amenity to Arrowhead.

Bob Hernandez announced that ASC raffle tickets for a new snowmobile are available now, and he will be at the winter owners meeting which follows this meeting for folks who want to purchase some.

Carla Vavrck reminded all that the potlucks continue through the winter on Tuesday evenings at 6:00 p.m. at the firehouse.

Mike invited all to stay for the winter owners meeting immediately following this meeting, which adjourned at 3:51 p.m.

(At the winter owners meeting, John provided an informative slide program on winter at Arrowhead.)

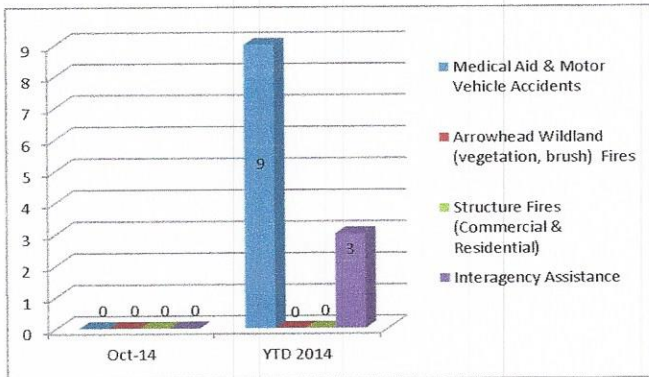
Linda Squirrell
Board Secretary

Arrowhead Volunteer Fire Department Fire Chief Report

Date of Report: **October-2014**

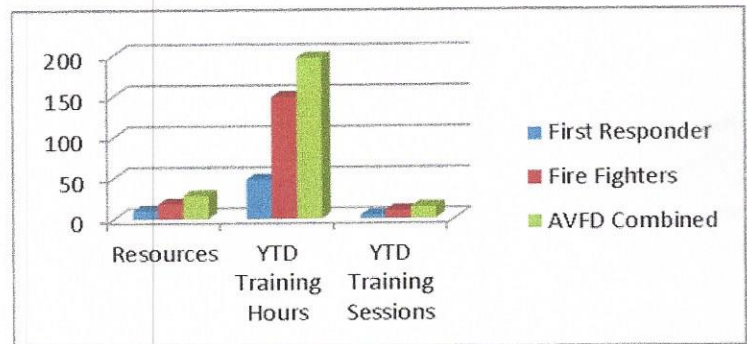
Part-I.) Emergency Events:

| Description | Oct-14 | YTD 2014 |
|--|--------|----------|
| Medical Aid & Motor Vehicle Accidents | 0 | 9 |
| Arrowhead Wildland (vegetation, brush) Fires | 0 | 0 |
| Structure Fires (Commercial & Residential) | 0 | 0 |
| Interagency Assistance | 0 | 3 |



Part-II.) Training:

| Groups | Resources | YTD Training Hours | YTD Training Sessions |
|----------------------|-----------|--------------------|-----------------------|
| First Responder | 10 | 48.00 | 4 |
| Fire Fighters | 18 | 148.50 | 10 |
| AVFD Combined | 28 | 196.5 | 14 |



Part-III.) Personnel (staffing):

First Responders = (10)

Fire Fighters = (19), one new Fire Fighter Grant Shahan.

Part-IV.) Buildings & Grounds Inspections:

1. Remote Hose Staging shelters – audit in progress. Criteria – hose sizes, # and size of nozzles, Y yoke, First Aid Kit, Hydrant Number, Fire Extinguisher, closest address/street intersection.
 - a. Shelters – 11
 - b. General condition – poor
 - c. Hose condition – unknown, require testing, based on time of year next available testing cycle 2015 summer.
 - d. Tools and apparatus recovered, cleaned and staged at Fire House

Thanks to Mary and Doug for their assistance

2. Fire House – metal siding on NW side below windows – status of project? AIA and AFPD funding?
3. Winter warming hut – Installation of Fire Extinguisher(s) in progress. CO2 unit in place and charged.
4. Main Equipment building – installation plan for two fire extinguishers, primary shop area and vehicle space

Part-V.) Fire Apparatus & Equipment:

1. All SCBA tanks filled and available for use.
2. **Trailer Status:**
 - a. Readiness – winter season 90 % complete
 - i. Remaining task – Teflon runners – provide skag function, Teflon pad across length/width of ski, reduces drag resistance
 - ii.
 - b. Function – primary unit for all seasons.
 - c.
3. **Snow Cat** – Use revised, rack removed and placed on trailer. Rear deck area will support patient cabin for medical

events, will also serve as recovery space for Fire fighters in winter season, heat and treatment as needed. Extended, patient transport from high country, safer for patient and EMS personnel.

i. Vehicle mounted radio installed and tested.

4. **Winter parking** for vehicles:

- a. Red/White – Brysons – Hazel lake
- b. Blue – Winter support for rock spreader
- c. Blue truck water skid and rack – Curt & Vida – Rim
- d. EMS vehicle – Higgins Lake Ave

Part-VI.) Interagency & County & Association Meetings:

1. Monthly Western Region Wildland Fire Council – Montrose, 10/9
 - a. Continuing research into benefits of mitigation surrounding homes and their influence on fire insurance for homes and businesses.

Part-VII.) Communications

1. Rich Leary provided quote for Patrol \$881.00 vehicle radio enabling broader support during Fire and Medical events.
 - a. Installation of vehicle mounted radio in AIA Patrol vehicle, improve reliability, and range for Patrol personnel to communicate with base and handheld units during event.
2. Snow Cat – radio installed and tested, thanks to Rich Leary

Part-VII.) Medical:

1. All AED's checked ready for winter season.
2. Enclosures – Patrol will check daily/weekly, Fire Chief will check monthly:
 - a. Thermometer operational
 - b. Enclosure heater operational
 - c. AED Battery readout status = OK
3. AED batteries and electrode status:
 - a. 10 Electrode's replaced
 - b. 1 CR+ battery replaced

Part-IX Miscellaneous:

1. **Fire Extinguisher Benefits of second light unit**
 1. Dump truck needs replacement 10lb Fire Extinguisher with secure enclosure

Design Review

Annual Report for the AIA Board

October 18, 2014

This year has gone too fast. The leaves are nearly gone and the weather has cooled a lot. A friend from Texas was asking about our weather, where it is still in the 90's. I said, well we had one or two days over 80. Sounds great unless you don't like 10 below zero, which only happens a few times.

New owners are always excited to get on their lot and start using the property. I have to break the news that it is usually Memorial day before the ground has dried out enough to use heavy construction equipment. I love the enthusiasm of new owners and the conversations shows that they have read the regulations.

Any new or old owner that is planning any improvement or construction on their lot should check with Design Review for approval of plans. Please call or email me at **970 862-8449 or joyce.boulter@gmail.com**. I will answer questions or meet with you on your lot to discuss your project.

In July we had our practice evacuation. One of the major criticisms was the lack of clear signage on lots. Any owner that has a driveway should have an address sign at the filing road and and if the drive goes to more than one lot, and another one if the road forks. This is for the fire and rescue workers to identify your lot. Sign guidelines are in the regulations. The drive should have a Y or T to allow for the fire truck or emergency vehicle to turn around.

| Activity | 2011 | 2012 | 2013 | 2014 |
|-----------------|-------------|-------------|-------------|-------------|
| House | 2 | 1 | 4 | 2 |
| Garage | 2 | 1 | | 4 |
| Shed | 7 | 5 | 4 | 3 |
| Remodel/deck | 3 | 1 | 6 | 2 |
| Driveway/RVpad | 5 | 8 | 6 | 4 |
| Utilities | 3 | 4 | 3 | 4 |
| Fees | \$3250 | \$2000 | \$2950 | \$1650 |

Forest Manager Report

10/18/14

Applications for 11 grants have been submitted to the Western Region Wildfire Council. Owners should know early next month if their projects have been accepted and how much their share will cost. Work will be done in the summer of 2016. I would like to thank the owners and contractors that have participated in this complicated process. This has been a learning experience for everyone involved and hopefully will make the process easier in the future.

Douglas fir and spruce beetles continue to increase in this area and everyone with a Douglas fir or spruce on their property should be ordering MCH packs. Orders for MCH packs can be placed from now until Dec 31 by sending a check made out to AIA to Bill Conway at 1734 SE 52nd Ave, Portland, OR 97215. The starting price is down this year to \$1.35 per pack and owners can expect to receive about 10% extra MCH packs, if we get our usual large order together. The packs will also contain 20% more chemical, which will help them last longer. Approximately 2500 MCH packs will be put up on community property. See more detailed directions in the current Smoke Signals on how many to order. Contact Bill Conway if you have additional questions. 541-729-6259 or bbconway@earthlink.net.

The spruce and Douglas fir beetle trapping programs will be adjusted next spring to reflect changing conditions and adjustments in advice from local entomologists. There will still be traps out there but most of them will not be as visible as they were in 2014.

I made the following information available to Mike Wigent and he may have already discussed this in the meeting. The information that I have from CDOT is that Hwy 50 from west of the igloo, where they finished work last year, east to the entrance of the canyon is planned for reconstruction in 2016. The canyon itself is a major project that would cost over 30 million dollars and although the planning has started for that work no projected date is available because there is no funding assigned to implementation of this project. Current ideas are to use the existing bridge on Hwy 50 near the Alpine Plateau Rd and therefore construction would not affect the existing mailboxes. More information on this subject will be provided as it becomes available.

Bill Conway

Arrowhead Forest Manager

Heavy Equipment and Maintenance Report

October 18, 2014

Winter Parking Lot

Will has graded the parking lot in preparation for winter and confirmed that all diesel hookups are operational. The parking lot opened for the winter on October 15th. The automatic lights are installed in the parking lot bathroom, so please don't change them. They will turn themselves off.

Filing Roads

Will has been hand cleaning ditches and culverts in preparation for winter, and you may have also seen him putting up culvert markers.

Beaver Ponds along the Alpine Plateau Road

There are many beaver ponds along the Alpine Plateau Road this year, some of which are well below the road and do not endanger it. But others are creating the usual potential for erosion of the road. We have been in contact with the County and they are aware of the problem. Whether or not they will be able to come up and handle it, remains to be seen. Will has been monitoring the problem continually. However, as most of you know, beavers are very quick to rebuild any dams that we might tear out.

Linda Squirrell
Heavy Equipment & Maintenance Liaison

OCTOBER FACTS vs. FICTION

FICTION: The board goes into executive session when it wants to keep things quiet.

FACT: Categorically untrue. I have addressed this before and I wish some would be better listeners. We are required, by law, to discuss certain things in confidence and private. This board will not knowingly violate the statute(s) criteria regarding executive session topics.

FICTION: The board is not transparent.

FACT: With the exception of executive session topics, the board makes a conscious effort to openly discuss topics in the meetings for owners to hear and dialog with the board, we publish information in the Smoke Signals newsletter, post information, including the draft minutes as soon as they are available, on the web site, uses the blast email for timely notification and posts information on face book. Owners have each board member's email and phone numbers if they want additional information. I encourage all owners to get accurate information rather than making uninformed statements.

FICTION: It was stated in a posting that one possibility is that the board may want to dissolve the association and start over with new governing documents.

FACT: Absolute fiction and untrue. This board has NEVER had such a discussion, nor has a director ever made such a comment.

FICTION: A negatively stilted comment was made that the board "scrutinizes" the governing documents to use against owners and to the board's advantage.

FACT: This is almost an unintended compliment to the board. We take a pledge to uphold and follow the governing documents. I would think that owners expect us to be knowledgeable of the governing documents and let them guide us in our decision making. Which we do.

Again, I would like to say, misguided, ill-informed and misleading statements by a few are far reaching and do harm to the reputation of the community and our property values.

SELF-MANAGEMENT
VS
A MANAGING AGENT

In response to exploring a professional managing agent to operate the Arrowhead Improvements Association, or the board, many areas need to be understood and clearly explained. This report will try and clarify the necessary perimeters to make reasonable solid decisions for the future of Arrowhead and the hiring of a professional agent or continue with the self- management approach.

To understand this very complex issue we must understand what management really is, and the cause and effect of good management versus poor or bad management.

Management is by most definitions, the ability to balance and bring together both technical and human resources for a final result. Good management in any setting requires a very knowledgeable team to execute and oversight tasks. Management has certain structures and in all cases, each level has specific areas to function and each represent the end results.

- a) **Upper management**
- b) **Middle management**
- c) **Localized management**

Each of these areas of management has their own style of approaches to business. I want to bring all of this back together and relate these approaches to our Homeowners Association (HOA).

- A board of director's is the "**Upper Management**" of associations. The HOA through its documents create a board of directors to oversee the HOA affairs of the association.
- The lack of experience and a failure to execute the daily operations, they must hire a company with a wide structured infrastructure to assure the tasks are completed. This is "**Middle Management**". Today middle management makes up a very large component of our business environment. Consultants are created to help middle management deal with complexities as it relates to the business world.
- If needed, a person is hired to assure the daily functions and tasks are carried out, This is "**Localized Management**".

These boards are comprised of general homeowners with a localized investment. Often, these homeowners do not have or possess the management experience or skills needed to tackle the endeavors set forth.

HOA's can be easy or complicated based upon the structure and the work product needed to facilitate operations. In all cases, these boards are comprised of volunteers who volunteer and take a great deal of time to deal with the affairs.

Herein lays the problem. No business can operate with free management as a result to many times the attention to the fundamental details are over looked. Pressure mounts and a rapid response is needed. Eventually outside help is needed. The experience required, and the void to fill becomes the priority of

the day, and the emphasis on experience is overlooked. Most homeowner association's responsibilities are to;

- a) collect assessments
- b) maintain the common areas
- c) Architecture control to assure the quality of the investments

Little emphasis or knowledge is placed upon diligent governing of the preservation documents or requirements set forth by law. State Legislators have recognized the industry's lagging and failures, and have imposed laws and regulatory statutes to help bring these entities some sense of balance. This requires a huge learning curve, and hope that through this process, no significant failures occur in deliberate or unintentional actions.

Here at Arrowhead the Board of Directors assume all aspects of operations and management of the Association has described below. The Association operates through its Board and manages every component of the operations with serious scrutiny, judgment and accountability. Here at Arrowhead we are fortunate to have experienced volunteers willing to serve and step up to do so. However, stakeholders must recognize these experiences and carefully review all candidates before each election.

ARROWHEAD IMPROVEMENTS ASSOCIATION, INC., SCOPE OF WORK

The Arrowhead operations include but not limited to the Scope of work listed below:

1. Governance of preservation documents
2. Governance of the Nine (9) required CCIOA Policies
3. Insurance governance which requires annual reviews
4. Financial obligations
5. Assures State Registration both with the Secretary of State, and the Colorado Common Interest Act
6. Assessments and collections
7. Asset management
8. Employee and employer relations
9. Payroll and the payroll impounds are met
10. Roads
11. Preservation of common areas
12. Heavy equipment
13. Contracts and lease
14. Secure and establish sound paths of policy management
15. Secure the Association through legal guidance and support

Below is described the functions and areas of operating the Association. I have established four (4) major areas of an Operational Path Management for the Association.

OPERATIONAL PATH OF MANAGEMENT (OPM)

I. FISCAL

1. The board oversees the income stream of the association, this income is the monthly assessments. Every month an income statement is produced, the disruption of income can cause major budget compressions involving the ability to pay the Associations monthly payables, and commitments, and weakens the association's fiscal environment.
2. Collections are the responsibility of the board and monthly action is needed to assure the receivables do not exceed budget temperament. These temperaments do carry a percentage threshold.
3. The board must see that laws and statutes that are applicable to the fiscal operation of this association are both written, and in accordance of state laws and governing documents. Many times these regulations must be reviewed by legal counsel to assure the actions developed are appropriate and legal.
4. Expertise in processing a budget is critical. Many assumptions and actual expenditures are necessary to forecast upcoming shortfalls
5. Fiscal responsibility assures a critical asset replacement schedules are adhered to, and the funding potential has a solid path and plan. This is your "reserve study" requirement
6. Investment accounts need to be protected and reviewed semi-annually.
7. Oversight of all phases of accounting, tax preparation, determined audit procedures, and filing with the Secretary of State for our non-profit corporation.

II. MANAGEMENT

1. The BOD must review annually all insurance policies and keep in touch with the changing climate of the underwriters.
2. The BOD assumes the responsibility of employees and the policy to assure compliance with State and Federal applicable laws.
3. The Board is responsible for all polices that govern the Association and follow all state requirements.
4. The board manages and governs from these policies and not individual needs.
5. The BOD are responsible for the future needs and extends plans to deal and contingences if failure occurs
6. Any management is only successful if results can be measured and goals met.
7. The BOD is responsible for all contracts, specifications for contracts, execution contracts, and development of leases.
8. The BOD must assure an owner data base is current and accurate through title transfers
9. Policy governance

III. LEGAL

1. The BOD must rely and depend on sound legal advice and must not attempt to circumvent this area.
2. Legal expense must be recognized and accepted by the owners to keep the Association sound and within the legal boundaries set forth.

IV. OWNER RESOLUTION MANAGEMENT

1. Areas that impact owners must be both legal and transparent.
2. Policies are needed to facilitate disputes.

In the case of Arrowhead careful prudence and diligence is needed to make certain the areas above are fundamentally sound and the objectives are met. If constant shortfalls or failures become present and obvious, middle management may be needed to regain the necessary management control needed.

I believe the best solution in all of this is not only having an appropriate seated board, but equally educated stakeholders that are actively involved in their corporation. Owners must complement a board not divide the stakeholders.

In today's corporate climate, great emphasis has been placed upon all corporations with a seated board of directors to be held more accountable and more transparent to the stakeholders. Stakeholders are the investment holders. Corporations have many structures, in most situations these structures are created for tax purposes. Some of these structures are Limited Liability Corporations (LLC), Limited Partnerships (LP) some Corporations are Non-Profit, and for Profit Corporations.

In each case, the Internal Revenue Service has applied certain tax laws. Many attempts have been attempted to create buffers between a board of director's and the stakeholders. Make no mistake this does not absolve a board of duty or responsibility. The buffers are middle management. This management comes with a price.

Before, we get to the nuts and bolts. Let us first establish the duties and responsibilities of a Board of Directors.

1. A board must govern to the established preservation documents
 - a) Protective Covenants
 - b) Articles of Incorporation
 - c) Bylaws of the Corporation
 - d) Rules and Regulations
 - e) Specific CCIOA laws
2. A board must be able to listen and make critical management decisions in all phases of operations
3. A board must keep and maintain a critical balance of directors
4. A balanced board offers diversity in decision making, and problem resolution
5. A board must understand the handling and responsibility of fiscal discipline from preparing budgets, cash flows statements, balance and income sheets and collections
6. A board assumes the entire responsibility for the employees. Knowledge of labor law relations and Human Resources are needed in this area.
7. A board needs to be responsive to all stakeholders and in this case the owners may request clarity and the board may need to seek legal counsel to establish correct positions.
8. A board must maintain specific indemnity insurance that include Director and Officers Omission and Errors, and maintains the specific liability structures that could impact all owners
9. The BOD must have and engage in on-going education, and be willing to do this

NUTS AND BOLTS

With the understanding of the above stated, let us explore the involvement of middle management, and the cost implications. While paying for this, careful oversight is still needed by the Board of Directors. The Board must oversight the Scope of Work to assure the work product conducted by a “Middle Management” company has produced the perceived value to operate the association. The board is still involved, and most likely more so and is not absolved from responsibility.

BENEFIT OF MIDDLE MANGAEMENT

1. Remove the personal emotions that occur with a seated board, and the stress due to ongoing management tasks
2. Replace conventional tasks with middle management
3. Bring Industry knowledge to the organization
4. Construction trade experience

This middle management team must use a scope of work so benchmarks and evaluations can be put into place to measure success and failures.

PROFESSIONAL MANAGEMENT OR AGENT BASIC ‘SCOPE OF WORK’

1. Provide accounting and tax preparation through a farm-out, or unless the Agent retains a CPA on board
 2. Budget preparations
 3. Sends assessments
 4. Collections
 5. May provide limited maintenance at an additional fee
 6. An agent will be responsible for the time consuming tasks that the BOD currently does.
 7. An agent removes emotional attachment
 8. An Agent brings industry knowledge
 9. An agent may have at their disposal access to many trades
 10. Plan for reserves funds
- No matter who manages the Association there certain tasks to be carried out. These tasks are well defined. The question asked, and needs answered is who is qualified? I believe the Board is qualified with continuous legal clarity; those tasks can be achieved with accuracy.

PROFESSIONAL MANAGEMENT OR AGENT ISSUES

1. Costly fees for all scope of work required
2. Being not emotionally involved can be a problem. If you own and have direct stake in an investment you pay more attention and cautious approaches. It is your investment and you will give top priority, Agents serve many clients and your priority’s are their not yours.

QUESTIONS TO ASK

1. Does the agency have a dedicated property management department?
2. How deep is the agents infrastructure and capital formation
3. Is the owner or an appointed director overseeing that department?
4. How many years of experience do you have in property management?
5. How many associations do you manage, and how may accumulative units?
6. Are you willing to go to court?
7. How do you advice for additional needs of the association?
8. What are your fees
9. Will you furnish references?

RESTRICTIONS

1. Agents are exposed to the same risks as the BOD
2. Agents are accountable as is the BOD
3. Failure of Agents fall upon the BOD
4. Agents do not necessarily respect a BOD
5. Agents commonly face disgruntled owners with many challenges, as does the BOD

PROFESSIONAL BENEFITS

1. All benefits must be balanced against any fees that will be charged
2. Agents bring organization to the association of assessments reporting and collections
3. Sets timetables of reserves and analysis
4. Agents remove this task from the BOD
5. Agents bring impartiality to disputes
6. Agents replace all administrative roles
7. Agents provide a clear path for records and accounting documentations

THE BOARD

1. The association will not manage itself
2. This Board is very versed in CCIOA and the 9-polcies of governance
3. It takes dedication and serious commitment
4. It takes serious expertise in many areas
5. Devote and countless hours of preparation to the issues
6. The BOD is currently providing the management and the skills needed for the Association
7. Future success of the BOD will depend on the input of owners holding accountable, and the current BOD to lay the ground work for solid management

COSTS

1. HOA management fees are normally not calculated based on a percentage of the income like ordinary investment properties. Instead, it's usually a fixed monthly rate, which is usually based on the size & complexity of the project. Some arrangements also allow for the management company to collect the late fees for themselves. The CC&R's usually do not specify the management fee amount, but there should be a budget created which will contain all of the expense figures, including management fee. This is commonly available in the administrative budget of our HOA.
2. Typically a cost per unit is established depending services required. I have outlined those services on pages 3 and 4.

3. I would estimate between \$10-\$12 per month per lot, or \$76,000 to \$114,000 to cover the services outlined. This is the basic services additional services are additional fees.
4. Additional fees equaling approximately a rate of about 5% over the basic would accelerate to estimated figures of \$79,000 to \$120,500.
5. Many admin expenses could be applied, however traditionally the agent will charge for those expenses.

Respectfully Submitted,

John L. Moseman

Vice-President

Arrowhead Improvements Association, Inc.

Arrowhead Patrol

October 18, 2014

Personnel: We are still discussing the need to had additional staff for the Patrol.

Equipment: The Patrol vehicle has been serviced. The new snowmobile is in progress of being built.

Open Fire Pits: No new permits

Medical Emergencies & Law Enforcement Assistance: Patrol assisted on the Alpine Road for the delivery of the groomer on 10-9-14

Incident Reports: No reports

Winter Parking Lot: Vehicle Registration & Stickers: Property owners are required to register their vehicles, snowmobiles, These yellow “numbered” stickers will help Patrol to identify the owner(s) of registered vehicles when needed, especially during snow removal days in parking lot or when found abandoned. The patrol is continuing issuing new vehicle stickers. Parking fees for diesels are continuing along with box trailer reservations. Wall brackets were installed to support the cabinet for the oxygen bottle and First Aid material in the warming hut. The winter parking was opened October 15th.

Guest RV Registrations: No registrations since 9-29-14

Complaints: No complaints

Respectfully Submitted,

John L. Moseman