

Minutes of the Silverado II Homeowners Association Board of Directors Meeting
April 12, 2008

The meeting was called to order at 10:02 am.

Board Members in Attendance

Matt Scurry, chair
Diana Catanzarite
Tom Duke
Hank Heurman

Approval of Meeting Minutes

Diana read the minutes from the February 2008 meeting. Hank moved to approve the minutes, and Tom seconded. The meeting minutes were approved unanimously.

The Transition – Current Status

A letter terminating the agreement with Allegiant was delivered to Jon DeVos, president of Allegiant Management, by Matt Scurry, president of the Silverado II board. The board formed a transition team (composed of the board members plus Brian Hoglund, a consultant to assist with the transition) and informed Allegiant in writing of the existence of this team. The board's original intention was to have Robin Wirsing of Allegiant Management to continue with bookkeeping responsibilities, but Jon declined this arrangement.

Matt anticipates that the bookkeeping/accounting system will transition smoothly. Matt has talked to one accountant, but he didn't seem all that interested in doing the work. So, instead he spoke with Tim Day who has been doing Silverado II's taxes for many years. Tim is willing to do the transition, and he recommended an in-house bookkeeping as the most efficient.

The board is ready to switch over the accounts from Allegiant's banks to Bank of the West (the new bank of Silverado II). There will be five accounts; there is a transition account so that the board can start employing people. When the transition is over, the board will probably scale down to four accounts (eliminating the transition account). In the future, the board will consider establishing a savings account or some other account to generate more interest. There will be no commingling of funds, and the accounts from one bank will shift cleanly to the other. The signatories will be the president of the board (Matt), the general manager (Brad), and one other board member (Hank). There needs to be a minimum of two signatories. The goal is to have online banking so that there is transparency to the board members. Keeping it simple will reduce costs. The designated person can pay bills, etc. easily and efficiently. There might be better ways to do this in the future, but this is the most efficient and effective way in the meantime. The account transition should happen on April 21, 2008. Allegiant went from old information to very vague.

Although the exact numbers are in flux, we expect to be able to provide the services more cheaply and with better quality. Matt encouraged the board to remain active even once the transition is complete. The board cannot let things go – "we cannot go back to the old ways." The board has a responsibility to the homeowners, and we have to serve each of the homeowners. Silverado II is running a business now, and the focus is to make this thing work. It's for the benefit of everyone's investment.

The board has hired Brad McClain as the general manager and in turn, they have hired three others – Mike (front desk) and Amazing Cleaning Service (Laura and German). Amazing Cleaning brought in a part-time person to help with some weekend cleaning. Already, the inside walls have been painted, the wood has been oiled, the bathrooms are clean, the hot tubs are working, and the timeshares are being cleaned. There have been visible improvements and there will undoubtedly be more.

Hank commented that communication has been lacking between the board members and between the board and the homeowners. This will be addressed better in the future, not only with a website for all whole owners and timeshare owners, but communication will be easier once the transition is complete.

For instance, Allegiant sent the monthly HOA bills out very early in April, and the board did not know that Allegiant was going to do this. So, Diana and Matt talked to an owner, and confirmed that Allegiant had indeed accelerated the next payment. The board sent notice to the owner listserv about where to send the payments. There was a retraction to go ahead and told owners to send that to the Allegiant PO Box.

Together, the board and Brad are going to make a computer hardware order. Silverado is purchasing Property Plus to manage the timeshares and rental program. They contacted five companies, and talked intensively with three. This company is very responsive and presented their material. They are the best choice for the needs of this complex. They have a Colorado representative (out of Basalt) and have cornered the market on First Resort Services, which is converting to the latest system. Property Plus is less expensive and meets the needs better. The board would also like to draw on the skills of our homeowners to do certain things (i.e., website). This software is security protected, so the outside world is not connecting directly to Silverado II's server. The board and Brad are making sure that the system is hacker- and virus-free, and this software helps that cause tremendously.

The board on some level scrambled to get many of these things and other things (i.e., cleaning) done. With 24 hours notice, Allegiant said that they would not clean the timeshares. Since Brad has started cleaning the timeshares, he has noticed that some have tvs, vcrrs, dvds, etc. What is included in the timeshares is inconsistent, and things were not done. The same cleaning crew will clean the rooms each week. They will have checklists and take inventory of the things in the units. When people check in, they will go in and check to make sure everything is there. If something is missing, Silverado II will know how to bill back to that person. Units on the rental program will be the same. All of this will be handled/organized by the management team and the software, which even allows users to enter serial numbers for tracking purposes.

The software costs approximately \$17,000, but the board is paying over 10 months, so it's not \$17,000 upfront. The money is available in the budget, and the board is now investing in hardware based on the requirements of Property Plus. The hardware is expected to cost about \$8,000, which includes licensing fees. Brian, Hank, and Hank's son work in this field and are helping to secure the best prices possible. Since this is essentially a start up business, there will be start up costs, and once the board has their hands around how much money there is in the accounts, management can do more (e.g., business cards, phones, etc.).

The board received the financials (which were relatively incomplete) on March 12. Diana went through and determined minimum costs to make sure that we have enough money to operate for the year. The print out from the bank shows that \$45,000 was spent in two weeks by Allegiant, but it is unclear what that was spent on. Matt is not even a signatory on the bank accounts. Brad read an email from Jon DeVos that basically said that we can peruse their accounting files. Allegiant gave financials through October, but they never turned over November and December financials. The board discovered that there was about \$4,150 spent on hot water heaters for the timeshares, and although Allegiant was to have contacted the board with any major purchases, they did not and were unable to tell the board which timeshares received the new hot water heaters.

Allegiant hadn't done cleaning since for some person of time and Silverado II had five front desk days over a longer period. From now on, there will be a lot more front desk service, and everyone will be allowed to use it (whole owners and renters included). Management will offer cleaning and maintenance to the homeowners, and they will work off the old budget for now until these new things happen. The timeshares will continue to pay the same amount, but they will receive 10 times the service. One timeshare owner, who left the previous night, said that he had never seen anyone even working in the building before this visit. RCI (the timeshare company) said that they are pleased to hear the news of the transition and they appreciate the work of the board and have already seen a difference.

The timeshares may have some budget issues. There is bad debt for \$55,000; there are legal expenses for \$59,000. Someone needs to look into this. Allegiant is spending that much, but there is a big line expense. There are legal arrangements made with Madeline Duncan and that has always been underbudget on this account. There is a bulk account with RCI. They have been renting units that we own

through the bulk account. They rented to two people for very low rates (week of March 29 for \$300 and a week in April for \$180) with cleaning fees of \$120. Timeshares are not covering costs, and it is unclear who approves these rates. Diana has not seen any rental money coming in. It is also unclear why Silverado II would give them those timeshares. The association owns these properties, but they have been foreclosed upon. Tom is going to stay involved in this to get it all straightened out. Timeshares are 30 percent of the operation and 60 percent of money, but 90 percent of the work. It's a small individual investment, but it's an important part of the overall business. Silverado II will do a lot better if it can take care of the timeshares. The working account went from \$121,000 to \$78,000 in two weeks at the time when Brad was doing the maintenance. The Board thinks all the timeshare owners are going to be much happier.

Tom raised the point that we do not have workers' compensation insurance at this point. Matt said that we technically do not have anyone on the payroll. Everyone is currently paid through a contract or we pay through a company. All employees will be paid by the bank that has a payroll department to handle the payroll. The problem now (which will be addressed on Monday) is how much this will cost.

The security cameras are now working.

Kathleen Mallow has resigned from the board effective immediately. Matt read her letter of resignation. Brad listed several people who were interested. Tom Duke nominated Greg Byrd as a board member, and Diana seconded it. The board unanimously voted Greg Byrd to the Board of Directors.

There was a suggestion to send a letter (e.g., here's with what's going on and the bill) to timeshare owners, and the board agreed this was a good idea. Brad is thinking about replacing the televisions in the timeshares. To install a flatscreen TV in the living room and bedroom, a dvd player, and a CD player, there would be an assessment for \$25 per owner. The money may be there to do that without the assessment, but then the board cannot replace carpet, refrigerators, etc., other things that are needed.

Tom motioned that the dues (whole owners and timeshares) are the same for next year as they are right now. Hank seconded the motion. Matt called the question. The board unanimously approved the measure.

The next issue concerned the specifics of hiring Brad McClain. A contract will be drawn up by Brad for signature by Brad and Matt. There will be broad involvement in Brad's work by the board, but he will not have to take directives from several people. Tom asked for a quarterly report documenting the progress at the complex.

The board addressed the vending machines. A discussion about the specific contract took place. Brad already secured a proposal that we receive 20 percent of all profits. Matt has a friend with Pepsi who he will check with him.

There also was some discussion about the keys and security issues, particularly in the timeshares. The current arrangement will cost \$7 per month. It is possible to change the arrangement, but it would cost more in staff time.

New Business

New and old are kind of the same these days.

The next date will be **Saturday, June 21, 2008** in the morning.

Minutes prepared by Demarée Michelau, approved by the board on June 21, 2008