

**PROPERTY OWNERS' MEETING - REVIEW of LAYCC 2008 AUDIT REPORT**  
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Meeting Location - Lake Arrowhead Clubhouse  
Meeting Date - Saturday, January 16th, 2010  
Time - BEGAN 9:14 A.M. / ENDED 10:04 A.M.

LAPOA Board Representatives Present -  
Larry Paz - President  
Dale Sommer - First Vice President  
James Hatcher - Treasurer  
Summitt Boone - Secretary

HSM Representatives Present -  
Jim Haslam  
James Haslam

Three (3) Property Owners were present.

The President opened the meeting to review the process and background for the Audit. He handed out the Income Statement and Balance Sheet from the Audit. He stated Property Owners will be told how to obtain a full copy of the Audit report, if requested.

**Discussion Topics Were as Follows**

**Discussion Topic** - Purcell Corp. has legal control over all funds in the audit report.

**Issue** - Property Owner disagreed.

**Status** - Property Owner is going to furnish the President with Covenant documentation that LAPOA has legal control of the funds.

**Subsequent Action:** President provided property owner with information supporting the original point of interest.

**Note:** There seems to be a misunderstanding on as to what was actually said during this discussion. The issue is on-going and clarification will be forthcoming in future communications. (Added January 25, 2010)

**Discussion Topic** - Is there anything in the Audit that specifically shows the \$1,243,000 in development costs was actually spend for that purpose?

**Issue** - President stated that the auditors were specifically asked to look closely to assure development costs were not put into maintenance expenses. HSM were instructed by Johnson Brothers that if there were ever a gray area about a construction cost versus development cost, it was to be put into development expenses and not into maintenance expenses.

**Status** - closed.

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**Discussion Topic** - Were any of the golf course holes turned over to maintenance before they were completed?

**Issue** - If golf holes were turned over to the golf course for maintenance, and needed to be reworked, those rework expenses were tracked and put into development costs. Also, no holes were turned over until the independent architectural firm had reviewed and approved the hole as being completed.

**Status** - closed.

**Discussion Topic** - What is the Property Owners' liability for the LAYCC deficit?

**Issue** - Are property owners subject to increases in our assessments for the balance sheet deficits created in LAYCC?

**Status** - POA assessment amount can not be unilaterally increased by LAYCC.

**Discussion Topic** - Does Purcell Corp has a legal right to pull out future profits to pay back their \$17MM accumulated deficit on LAYCC's 12-31-2008 balance sheet?

**Issue** - HSM said they were told by Purcell Corp. they can NOT recapture the additional paid in capital by taking cash out of LAYCC.

**Status** - Subsequent discussion with Billy Alexander, Director of Finance at Purcell Corp., confirmed Additional Paid-In Capital in LAYCC cannot be repaid from operations.

**Discussion Topic** - What is in the \$782,000 General and Administrative expenses.

**Issue** - Request was made to identify the major items that comprise this category.

**Status** - The major accounts in G and A include: Property and Casualty Insurance, Workers Compensation Insurance, Property Taxes, Legal and Accounting Fees and Management Fees for Purcell and HMS.

**Discussion Topic** - How do we get a list of seriously past dues POA dues.

**Issue** - Liens are placed on all seriously delinquent properties after a collection effort has been made.

**Status** - Liens are recorded and available at the Cherokee Courthouse and also are available on the internet through Cherokee County.

Audit Review Meeting was adjourned by Larry Paz.

**END OF AUDIT REVIEW MEETING 1-16-2010 MINUTES**