

## Message from the TMA Secretary (Rod Walz)

August 5, 2008

It has been about two months since we, as a TMA, separated ourselves from most of the resources provided by the LLC. It has not been an easy process and our staff of Tim, Beau and Penny are to be commended for their commitment and patience. For Penny, our Controller, it has been especially difficult. While spending 40% of her time collecting cash, she has had to figure out and manage the accounting changes (new systems, payroll etc.), along with the daily and normal phone calls and meetings. Beau Frick has been invaluable in cutting costs through his diligent oversight of TMA projects and competitive bids, as well as, his open communication with you, our homeowners. Tim, as our Executive Director, has been extremely busy focused on the broader challenges that touch a variety of departments. When you get a chance let Penny, Beau and Tim know how much you appreciate their efforts.

These past few weeks have been great for our TMA. We have had a significant increase in homeowner involvement and input that has resulted in a higher spirit of cooperation and trust. In particular, we appreciate Kathy Boespflug on the Audit committee who created us getting together on July 25<sup>th</sup>. That meeting spurned into the Town Meeting on July 31<sup>st</sup> which in turn influenced the content and motions in the subsequent TMA Board on July 31<sup>st</sup>.

The questions and answers below are intended to provide more concise information that affects us all. While we encourage you to go to our website [www.tmaidaho.com](http://www.tmaidaho.com) and read our monthly Newsletter, we recognize that for some, putting most of the salient items in one place would be helpful. Please note that this update is primarily focused on generalized TMA matters. We look forward to more direct meeting regarding the BUA matters at our upcoming Annual Meeting on Saturday, September 6, 2008. In the meantime, if there is anything we didn't touch, let us know so we can address it.

### Answers to current questions and concerns:

1. **Is the TMA a “homeowner” association?** The answer is no. The TMA gets funding from multiple sources including commercial and residential property assessments, late fees on delinquent payments, interest on accounts, real estate rentals, real estate transfer fees, code violation fines, transportation sales and finally civic assessments on sales at the resort (note: as of June 1 includes mountain lift tickets, lessons etc., golf tee times, lessons, etc., catering, raft trips, and other LLC sponsored sales.) TMA has a fiduciary responsibility to provide services to the benefit of homeowners, guests and the Tamarack LLC. Of particular note is that the TMA must consider the peripheral contribution of civic assessments that we receive directly out of the various business enterprises directly or indirectly controlled by the LLC.
2. **Is the TMA independent of the LLC?** The answer is yes. All the employees are 100% TMA. If any entity uses TMA services which involve our employees, we will bill for that time. As we evolve the Audit Committee, we will charge them with ensuring that we do so. There has been a strong concern expressed about the makeup and voting power on the TMA Board. We all chose to invest in a resort that has the declarant as the President of the board with the ability to appoint 8 (including himself) of the 11 positions to the board. There's no getting around that. Considering the LLC delinquency in property assessments, our attorney, Steve Lord has carefully reviewed the ability to force a change in board structure and he reports that the bylaws do not provide for such a mechanism. Our voting structure is as follows: The declarant, Jean-Pierre Boespflug has four (4) votes, one (1) of which is Mike Drury/Tamarack Controller. His appointees are Jim Spent/Mountain, Ken Rider/Club, Marie Laure Frere/Real Estate, Tom Altmann/Golf who each have one (1) vote. The three (3) residential directors

(Rod Walz/Estate, Rod Meyer/Lodge, Mike Carey/Cabin) each have one (1) vote. Recently, Jean-Pierre made a good will gesture to include more independent representation on the board and assigned two (2) of his votes to Doug Dvorak/homeowner/Treasurer with one (1) vote and Debbi Murphy/Sante Spa owner with one (1) vote. Our Executive Committee is made up of Tim Flaherty (Homeowner and TMA Executive Director), Jean-Pierre (President), Jim Spenst (Mountain), Rod Walz (Homeowner and Residential Director/Secretary), Doug Dvorak (Homeowner and Treasurer). Note that three of the five are homeowners. FYI, based on feedback from the Town Hall meeting on July 31<sup>st</sup>, the TMA Board will provide in its minutes, who voted for or against a motion. Those of us who volunteer to serve as your representatives can attest to the open dialogue and discussion that precedes each vote and each feels empowered in the process. If there is anything that is out of line and appears to be in conflict of interest, your representatives are not shy in making their opinions public. Overall, we have seen in the past two years a significant change in the effectiveness of homeowner representation within the TMA. With rare exception it is Tim, Beau and Penny that are the heart and soul of the TMA and we would hope that when engaging with them you will appreciate their work on our behalf.

3. **Does the TMA bill the LLC for its services?** The answer is yes. For example, while we now own the equipment we use, it is not prudent for us to maintain it. We contract with the LLC for its shop services. Recently, a homeowner was concerned about the \$72 per hour billing rate for these services. We looked into it and found the closest rate to be in a McCall shop at about \$79 per hour with us having to drive the units to the McCall area. Tim and Beau take great care in this area. Another area of contention is that we pay the LLC for fuel that they buy and store for us. Some homeowners ask why we would pay them anything for shop and fuel services. The answer is quite simple and pragmatic. TMA cannot afford to not outsource these services. We are looking into all areas that concern LLC billing, both directions. Here again we may need to use some pragmatic discretion and will make every effort to see that we are paid now for providing those services.
4. **Why does the TMA still use the website technology of the LLC?** We never dreamed up this concern. We use the technology because of costs. The LLC has donated the use of this web technology and we should all greatly appreciate the gesture.
5. **Why is the TMA not scheduled to do a “forensic audit”?** Forensic audits cost thousands of dollars, which we do not have right now. A hard truth may be that if one were done from the beginning in 2004, there could be some interesting findings of fact that reveal the history of the LLC freely funding the TMA to get it off the ground which has the possibility of having the TMA owing \$ back to the LLC. Given the big unknown and given the cost, the TMA decided to do a more limited “financial review” (see next) to see if there was a need to dig deeper.
6. **Why has the TMA not done the “financial review” that it indicated it would do?** In May, the TMA interviewed independent CPAs in the Boise area and settled on one. The scope of work was to review the transactions between the LLC and the TMA since Mike Drury took over as Controller of the TMA (Penny Lancaster is now our Controller) in early 2007. Because of our current financial condition, we allocated \$3,000 to the review. As we made the official separation from the LLC, Penny indicated that she was buried in the transitioning the accounting systems for payroll etc. and asked for some time to get herself situated. Additionally, we had voted on creating an Audit Committee to oversee expenditures (albeit we didn’t execute well on this yet) so we decided to hold off on this project. Doing this financial review will be time consuming for Penny and considering her current workload, we may wait a bit longer before reviewing the past. Kathy Dvorak, a volunteer homeowner with a strong accounting background, will be assisting Penny over the coming weeks to catch up. When that occurs, we will engage the CPA services for this project.

7. **Is the TMA drawing money from the reserves?** The answer is no. In the April 29, 2008 TMA Board Meeting (see minutes at [www.tamidaho.com](http://www.tamidaho.com)) *“A Motion was made to allow a draw from the reserves, if needed with terms and conditions subject to review by the audit committee and approved by the executive committee, limited to a cap of \$500,000. The Audit committee is composed of Rod Walz, Matt Burrell, Rod Meyer, Michael Carey, Kathy Boespflug and John Redl. All reserve withdrawals will be approved by the Executive committee. All reserve withdrawals will be made available with full disclosure and documentation reflecting each transaction.”* This vote was for authorization purposes only and not an immediate instruction to draw from reserves. In the Town Hall type meeting on July 31, we reported that there is \$1,005,000 allocated as TMA reserve. We also reported that as Penny sees us approaching a need to tap into that reserve, that she will reach out to the Audit Committee for counsel and final approval by the Executive Committee.
8. **Are the reserves kept in a special trust account?** The answer is no. In the Town Hall type meeting on July 31, Steve Lord, our TMA attorney, pointed out that the TMA bylaws only call for a “reasonable reserve” and does not indicate the mechanism for handling the reserve. In our accounting we have a line item associated with Reserves. All funds collected from Civic Assessments and Property Assessments (both LLC and homeowner) et. al. are deposited into a general account. Accounting has set up a series of interest bearing accounts with balances beneath \$100,000 for FDIC protection. Some of these accounts are sweep accounts that pull enough money into the operating account as needed. As indicated in the April 29, minutes, there is a checks and balances procedure in place that ultimately requires the Executive Committee approval to tap into the reserve funds. Note that three of the five executive committee members are homeowners.
9. **Are we doing an independent reserve study?** The answer is yes. The original reserve study was done internally by the Tamarack construction staff years ago. It primarily focused on roads and rooftops. Now that we have matured, we need to formalize the research using an independent expert. Tim Flaherty, our executive director, has championed this effort and the Board voted on July 31<sup>st</sup> to hire a company for \$8,500 to do the research. This company will research and explore all the areas that need focus and, after providing its report, will provide TMA with a working software to manage and change assumptions.
10. **Why was there an equipment transfer from the LLC to the TMA?** By negotiating a transfer of the equipment from the LLC to the TMA it accomplished two goals. 1.) The TMA needed the equipment to operate and either had to go out and buy or lease the equipment (initial analysis indicated this was problematic) or get the equipment at no cost from the LLC. 2.) This transfer, in lieu of cash, brought value to the TMA and helped to bring our balance between the TMA and LLC (what we owe them and they owe us) to zero at the end of the 1<sup>st</sup> quarter.
11. **Was the equipment transfer a fair deal?** The answer is yes. Tim Flaherty and Beau Frick first analyzed what equipment we actually needed then they researched the Fair Market Values of the equipment. “The appraisal rate for the equipment was calculated between Kelly Blue Book values, NADA values, Current equipment values from local distributors and Boise distributor companies including a national auction appraiser who performed an on-site inspection of all equipment” (from April 29 Meeting Minutes).
12. **Why was there such short notice regarding the Town Hall type meeting on July 31?** Given that there was an impromptu meeting of the Audit Committee on July 25 and given that it was painfully apparent that the foundational content for this committee was missing, TMA staff felt it would be a good thing to hear more directly from the homeowners and breathe some directly communicated facts and concerns into the space. TMA staff anticipated that they would get negative feedback about the short notice and, to Tim, Beau and Penny’s credit, proceeded with the meeting and have now committed to having this meeting once a month on the last Friday of every month. Please check your calendars and make an effort to attend as we need your cooperative feedback. We are all in this together and those that have made the effort to reach out to staff, appreciate their commitment to our success.

13. **Why did we continue with the contract with Treasure Valley Transit (TVT) for bus services to and from Tamarack and beyond?** This contract provided for participation between the TMA and the TVT to both provide bus service in Valley County including service to and from Donnelly to the Tamarack. Our contract with TVT was up in June. The decision to continue had both long and short-term considerations. There was the obvious short-term argument to stop the expenditure. The homeowner reps pressed hard on drilling down through the specifics before endorsing the final plan. A key long-term consideration was that if we had cancelled that agreement, Tamarack Municipal Association (TMA) would never again be able to request governmental funding for transportation in the future (currently we get about \$72,000 a year). Another factor was the timing in making such a significant decision as we are trying to weather through these times without another major distraction. Without going into the details here, there are significant ramifications to just stopping all transportation. We sat down with Jean-Pierre and Jim Spenst and a reasonable solution was offered by JP and Jim to expand the Civic Assessment contribution to include all Mountain, Golf and virtually all other services provided at Tamarack in exchange for keeping TVT alive. This solution also included a scaling down of services to cut costs. The bottom line was that the deficit to TMA for continuing the TVT fell to less than \$1,000 per month service which we all felt was bearable. We also saw the long term value to this concession as we get beyond the current crisis. Other resorts like Beaver Creek get the majority of their funding from civic assessments.
14. **Why do we continue to provide Dial-A-Ride?** Providing this service has always been a lightning rod, from day one, depending on your point of view. The overall consensus is that the majority of homeowners like Dial-A-Ride. We certainly appreciate if someone buys a lot for investment at Tamarack and doesn't come here, they might say no to Dial-A-Ride. However, we would hope that they would have the foresight to appreciate the value of having effective transportation throughout the resort for guests to have a great experience, spend money here and come back again. As with all other services provided by the TMA, we are making appropriate reductions in service.
15. **What do we charge for in transportation?** Without getting into specific fees schedules, we charge for transportation that is predominantly off the resort and not included in the scheduled bus services in partnership with TVT. This would include picking up and delivering guests at the Boise and McCall airports, transportation of guests/homeowners to Donnelly, McCall etc., rafting trips put on by the LLC/Club etc. and other for profit charges.
16. **Should anyone ninety (90) days delinquent on their assessments be able to vote at the annual meeting?** The answer is no. In the TMA Board meeting on July 31, Jean-Pierre expressed good faith and proposed a motion (which unanimously passed) to ban anyone over ninety (90) days delinquent, including the LLC, from any vote privileges.
17. **Why have we not posted the owners, who are ninety (90) days delinquent, on our website?** While we had stepped up the procedures for filing liens and threatening collections, we wanted to see if that would move some people to pay. The good news is that in half the cases seriously delinquent, our collection strategy has succeeded. We now are ready to post the names of those who are seriously delinquent. We will give them a 10 day warning and if no response, post them on the website [www.tmaidaho.com](http://www.tmaidaho.com) and in the monthly Newsletter.
18. **Collections?** The downside of collections is that it costs us all 25% of the delinquent amount. The upside is that if the homeowner doesn't pay the collection bureau within thirty (30) days, their credit gets affected. We have found this to be an affective strategy. Our staff has been instructed by the TMA Board, who has heard the demands of the vast majority of homeowners who pay, to take an extremely hard stand on this and to avoid engaging in the historical arguments about their LLC or TMA communication concerns as the reason for not paying.
19. **Should TMA cut services to assessment delinquents?** The current answer is no. Today we are being hurt by both the LLC and the homeowner delinquencies which put us in the

precarious position for potentially tapping into the reserves. Cutting services is very problematic both from an overall value point of view as well as potentially being a legal issue. A simple example would be if we didn't do landscape maintenance around a unit, this can pull down the value of the neighborhood. Imagine if you were selling your Cottage and a potential buyer saw a mess next door. There are much more severe examples, which could be legally problematic and wrought with liability to the TMA.

20. **Is the TMA committed to being transparent on information?** The answer is yes. We post the minutes and budgets on [www.tmaidaho.com](http://www.tmaidaho.com) and communicate through the regular TMA Newsletter. These two formats provide much of the information that people complain that we withhold. We would hope that you, as homeowners, would appreciate our staff's time and do some research before calling in. As an example, we delivered the July Newsletter successfully to 285 homeowner email addresses. Only 113 homeowners opened the email. Imagine how Penny, Beau and Tim feel when you call, without doing your research, and in some cases complain about our lack of transparency. It's time to get past this issue and work together with us. We recognize we have a long way to go with the dissemination of financial information and are now committed to the following. Every month we will publish on the website [www.tmaidaho.com](http://www.tmaidaho.com) the Actual vs Budget numbers. Every quarter we will publish our financials on the website.. We will work with the Audit Committee to establish standards for financial oversight. As much as the Audit Committee meeting on July 24 was lacking in a productive agenda, the response of the TMA to prioritize focus on the financial oversight is encouraging. Any lack of greater focus in formulating the structure of the Audit Committee had more to do with the intensity of focus on all other responsibilities to the TMA by staff, not to mention the inordinate amount of Penny's time dealing with delinquencies and collections. It is phenomenally taxing on our staff when they attempt to collect delinquent assessments from homeowners who continue to insist on using LLC construction related issues as a leverage not to pay and who say that they won't pay because they don't see all the financial information. Without making excuses for our need to improve, even if you don't see the information in a way that pleases you, our staff continues to make sure that our employees perform all the necessary services that support the value of each of our investments. Bills get paid, funding is collected and accounted for, controls on spending are in place and new investors will be impressed with how viable our TMA is in spite of the LLC delinquencies. Especially now, it is important we all band together and make sure we have a healthy TMA that any new investor in the resort would be encouraged to work with.
21. **Who should I direct my questions and comments to?** Please direct all questions and comments to Beau Frick at [bfrick@tmaidaho.com](mailto:bfrick@tmaidaho.com) (208) 325-1725. we encourage email so that we can keep track of your needs.