

AGENDA ITEMS FOR B-BOARD OPEN MEETING  
MARCH 20, 2007

1. Brush Dump
2. Maintenance Barn
3. Restaurant WG Report
4. Road and Public Works Group Report
  - a. Road Assessment
  - b. Turning Lanes
  - c. Discussion on Lighting of Entrance to HLR
  - d. Drainage Project - Lakeshore Cove
5. Admin/Accounting WG
  - a. Purchase Order Process
  - b. Financial Records and Audit Progress Report
6. Recreation Work Group
  - a. Adult Attendants
7. Golf Course Proposal
8. Bylaws, Elections, Rules and Regulations Work Group Report
9. Fire Hazard Risk Analysis - Bonnie Hardaway
10. General Manager's Report
11. Open Discussion

MINUTES OF B-BOARD OPEN MEETING  
MARCH 20, 2007@ HOLLY HALL

(NOTE: This is an open meeting where the above agenda items are presented and explained to the property owners of Holly Lake Ranch. Comments and questions from the participants are discussed. The property owners may present additional agenda items during the "Open Discussion" segment of the meeting. No action is taken at this meeting. These agenda items will be brought before the Combined A & B Board meeting for discussion and, where necessary, action. This meeting will be held March 27.)

I. The meeting was open by Vice President, John Sparks at 2:00p.m. In attendance were Treasurer, Larry Bowman, Secretary, Jeanette Sterner and Bill Beggs. The General Manager, Rob James, was also present.

A. John Sparks announced the rules of discussion for all the items presented. Since there are so many items on the agenda, each speaker from the floor will have 3 minutes to make comments and/or ask questions concerning each agenda item.

B. John introduced everyone on the Board.

II. Discussion of Agenda Items:

A. Brush Dump - The B Board and Silverleaf executives are having on going discussions concerning various issues of HLR. One of the issues was the movement of the Brush Dump from HLR. Bob Mead paid for a new brush dump close to where the old brush dump was located down FM 3540. Two officers of the HLVPD and the B Board inspected the area. A few improvements were suggested. Jeanette Sterner, Dan Dolezal, and Jerry Hibbs met with Bob Mead and reviewed these suggestions. Silverleaf will act upon these suggestions. John Sparks let everyone know that fire prevention is key to any burning at the dump. The same restrictions, weather, wind, number of firefighters on the scene, etc. will be in place when a burn takes place. As soon as possible, there will be one more burn at the HLR site and the debris will be buried at the site. Opening of the new brush dump will be announced.

1. Bill Vawter asked for a reconsideration of the site because it is approximately 600 feet from his house. He thinks the smoke will effect him. Plus, he is afraid the smoke may effect the flight pattern coming into the airstrip. He suggests moving the dump to the first site, further down FM 3540. John responded by saying that the firefighters are restricted to burning only when there is an S to SW wind. Though there may be some smoke that blows toward his property and the airstrip, the predominate amount of smoke should blow away from the stated area. The firefighters monitor the weather and wind patterns and they will not start a burn if it is not conducive to do so. Mr. Vawter also suggested the use of a chipper to get rid of the wood rather than burn the brush. John responded by saying, in general, no plan is perfect and we want to recycle when we can. A chipper is not out of the question. The HLRA can check the cost of the chipper large enough to handle large size trees and the various costs associated with operating a chipper.

B. Relocation of the Maintenance Barn - Another issue that was discussed with the Silverleaf was the movement of the maintenance barn, which was relocated where the old stables used to be. It is becoming more and more unsightly. The noise of the vehicles and activity on the site are becoming a problem for homeowners near the site. Plus, the heavy equipment is ruining the roads that the vehicles use everyday getting back and forth from jobs on the property. Silverleaf

is building a new maintenance barn off of Hwy 2869, adjacent to their own maintenance facility. The new barn should be ready in approximately 60 to 90 days.

C. Restaurant Work Group Report - John Sparks introduced several members of the RWG, to include John Livingston, who is the Chairperson of this group. Below is a summary of his comments.

1. John commended last year's WG on a job well done. They worked hard with Dave Wilson to make the 19th Hole and Fore Seasons (FS) successful.

2. This year's RWG has been concerned about the continued loss of an average of \$30,000 every month. This loss comes out of our dues. John stated that the HLRA has used a high percentage of the \$2500 Initiation Fee to offset the cost of FS. This is an uncertain income source and we cannot count on those funds to subsidize FS. Therefore, the RWG has determined that the labor and food costs are extremely high and the sales cannot offset the costs. John stated that just because you have an amenity it does not mean that you cannot be accountable.

3. The cost of the loans (\$90,000) to build FS, is covered in the budget. So, you still have to get control of the labor and food costs. Plus, you have to increase sales.

4. John Livingston mentioned that some of the RWG is here today to help answer any questions concerning their proposals to positively effect those issues raised in item "3." John Livingston, Gordon Springer, Dick Brown and Ron Dinoto are working on labor and food costs. Marie Aughtry, Karon Flagg, Dick Martin, and Michele Talucci are working on advertising. Pat Roling is working on contracts for linens. Jane Beams, Corine Henry, John Livingston are working on new menu items.

5. The RWG has raised the prices on the current menu to approximately 15%. These prices are in line with restaurants in Tyler. This should raise the sales from \$30,000 a month to \$45,000. Sales have improved over the last two weeks, but that is not enough of a sample to see if this positive trend will continue.

6. FS is open for all three meals for the non-smokers.

7. Some of the menu changes include: Heart-healthy meals approved by a hospital, a children's menu, lunch specials, and more holiday specials.

8. Ron Dinoto has put in many hours inputting information on the computer system so the staff can better track inventory, food costs, labor costs, daily sales, special events sales, and catering sales. Ron has placed a personal computer, attached to a printer, in the FS office for the staff to utilize. The staff can now order by Internet, which should again help with the analysis of sales and costs. With the added features placed into the system by Ron, it will be easier for the staff to analyze the labor and food costs, which are exceptional high. John Livingston estimated that as much as \$20,000 a month might be saved once these two items were lowered to an amount most restaurants operate under.

9. Screens are being tested in FS to serve as a sound and sight buffer from the special party events and the regular customers on the other side. As of this time, the best system has not been found, but the RWG is still searching for screens.

10. Equipment will soon be installed in the FS kitchen that will help with the food quality, waste, and overall food costs. Some good, used equipment has been purchased: a steamer and oil filtering system.

11. Certain individuals of the RWG are talking with the present company(s) and other companies to determine if better contracts can be obtained for food items and linen service. Quality is of course always important when negotiating contracts.

12. The RWG is looking closely at home delivery of meals, outside sales and catering. They feel that it is important to get a handle on the cost concerns mentioned above, before delving to far into such outside business ventures.

13. One proposal, which has been accepted by the B Board and Rob, is to move the cost of the liquor carts out of the "restaurant budget." These should be placed under liquor budget items.

Liquor sales should pay for the carts not restaurant sales.

14. In the advertising area, Dick Martin and Dave Wilson took some new flyers and menus to the manager of HLR timeshares. They placed them in each room. Silverleaf will donate some signage along the streets so people can find the restaurants. They are going to place a large, decorative sign on the FS building. Advertising has begun in the "Hawkins/Holly Lake Gazette," flyers, HLR website, the e-mail service provided by private residents, and a newsletter that will be mailed out with the monthly statement to all of the residents of HLRA. Rob James will mail the newsletter to those residents who do not receive the monthly billing statement. These forms of advertising will inform the full-time residents as well as the weekenders of specials at FS. Jeanette Sterner mentioned that Bob Levy placed an ad in the Silverleaf magazine, which goes to every Silverleaf owner, not just those who have a timeshare unit at HLR. This will inform ALL timeshare owners, who may come to HLR on the Silverleaf "exchange" program, about FS.

15. John Livingston said that the advertising did reach more than HLR residents and timeshare owners. FS did take reservations of non-HLR customers last weekend; however, residents sponsored the customers. Though this was done for the weekend of March 16, it did indicate the interest of the outside community to eat at FS. There were approximately 20 individuals, who called but were not given reservations because we are not ready for outside memberships to FS. John mentioned that Jeanette Sterner has spoken with Bryan South concerning the security issues of having outside memberships. When the possibility of having outside memberships is again discussed, Bryan will be invited to these discussions.

a. A question was raised concerning the possibility of outsiders coming into eat and then staying to use the amenities, such as the pool or play golf. Responses: John believes that most of the people, who come to the restaurant, come for that purpose only. Jeanette said that even now the SL managers and the HLRA managers check to make sure that those who come to use the pool or play golf or either residents or timeshare owners. But, if a FS membership were considered in the future, the managers would be informed of this decision and would act accordingly if someone tried to use other amenities.

b. A question was asked about outsiders coming in to use the restaurant but might drive around the Ranch and try and steal from the residents. Responses: John Sparks mentioned again that security is part of the decision-making process as to whether or not we begin a membership option for outsiders to use FS. He referred to the Lincoln Day Dinner, when FS served 150+ diners. Those are the type of individuals who will more than likely buy a membership. Those are not the type of people who seek to do anyone harm. In fact, in talking with some of the guests, he mentioned the possibility of FS having a membership fee. When asked if they would pay \$50

or \$100, they said that they would. John S. said that it is not for certain that we will go to an outside membership or is it clear what the fee will be, but a fee will prohibit the "wrong element" from coming onto HLR. Pat Roling said she is more concerned about the 100s of contract laborers who work throughout the Ranch. Yes, they are necessary to do the various jobs needed by the property owners, but she is not certain if some of the thefts may not be related to them. She said that we know when they come in through the gate, but we do not know for certain if they leave the property at night. John Livingston said again that the first goal is to lower food costs and labor costs, and then increase sales. Analyze the actions taken to do all three and then decide if an outside membership to FS is necessary and doable.

c. A question was asked about the Sunday brunch. The man mentioned that in the past there was a luncheon buffet, but now it is a breakfast buffet. He was wondering about the possibility of returning to a luncheon buffet. John Livingston said that a buffet with more choices was being considered.

16. John Livingston closed with emphasizing that Dave and Karen are putting in a lot of hours into both restaurants; therefore, they rarely have the time to pursue the various proposals mentioned above. They are busy with the day-to-day operation. This is where the RWG, with a myriad of experienced restaurant and business people, to help research ideas, discuss them with the staff and then submit proposals to the B Board for consideration.

D. Roads and Public Works WG - John Sparks said that the Road WG has been very active. They have met with the engineer from the TDOT and were told that FM2869 will be widened on each side by 4 feet. This widening will extend from Hwy 14 to FM 49. A "deceleration" lane as you enter will be made on 2869 as you enter the West and East side of HLR. This will be the "Right Turn" lane for each entrance. John introduced the Chairperson of this group, Rik Vanheyst. His report and comments were:

1. Besides these above-mentioned improvements, the culverts at the entrances into the Ranch will also be improved. In talking with the engineer, they discussed the traffic accidents around the area of the Chevron station. He said that engineer will review this area and determine if some additional measures need to be taken to make this a safer area for the drivers shopping at the station and drivers who are driving straight through. It is not possible to provide "Left Hand" turning lanes in front of HLR because the two entrances are misaligned.

a. A resident said that she had met an engineer who said he was working on this road repaving

and he disputed the access roads off of 2869 that she was talking about. Rik said that he did not know who the man was but that the lead engineer said that they had plenty of access room to make the improvements on 2869.

2. The engineer said that the road leading into Section 6, PR7922, is a private road and cannot be repaired by his crew.

3. The lighting at the entrance of HLR will be an issue for Silverleaf and HLRA to explore. There will be future discussions on this issue between SL and the B Board.

4. TDOT is conducting a traffic count at the entrance of HLR and around the Chevron station. This will help determine what all needs to be done to improve on safety.

5. Ozarka is working on giving its drivers better instructions as to how to get to the plant. Plus, they are paying for additional signage so as to indicate the location of Ozarka and Nestles.

6. Lakeshore Cove Drainage Problem is being investigated at this time. Silverleaf is in agreement that severe damage is being done to the roads and to the lake due to the amount of sand and debris being washed into the lake. This is causing a substantial land "formation" out into the lake. It could eventually obstruct fishing and boating. The cost estimates are being computed and will be given to the B Board. John Sparks said that Rik, with his engineering background, is working very closely with the HLRA maintenance team. He has supplied drawings and procedure ideas. John added that he and Clayton have worked closely to improve our lakes and roads in incidents of severe drainage issues. They are doing the same for the project off of holes 3, 4, and 5. John commented that on occasion, the drainage problems effect several households, the roads, the lakes, and perhaps other structures or amenities. It is on those occasions that the B Board will consider reviewing the situation and the damage caused. However, as in the case of his drainage problem between his property and his neighbor, only their property is effected. No roads or other amenities are affected. In those cases, it is up to the property owners to decide if they are going to correct the drainage problems.

7. Rik announced that the drainage problem off of Holes 3, 4 and 5 is underway. That project was approved last year. Two "catch basins" are soon to be in place on the golf course and on Ox Bow Cove. Additional drainage pipe is being installed off of the golf course, between eight

houses, and behind one house. A large section of Oxbow is torn up due to the insertion of the basin and the drainage pipe. Some of the berms placed on Hole number 5 may have to be modified with the new basins in place.

8. A question was asked if it would be cheaper to hire outside contractors to maintain the roads on HLR. Response: Rik said that the Road WG has investigated that option. He said because of the equipment that HLR already has and the cheaper rate they receive for materials than some contractors, it is less expensive for the Maintenance Department of HLR to continue to perform this job.

9. Rik noted a problem with the evenness and thickness of the asphalt after it has been laid. He suggested a method of paving and setting the piece of equipment that lays the asphalt so that this does not happen on the type of road surface we have here at HLR. The maintenance manager agreed to try these suggestions. The other suggestions made by the Road WG are:

a. Do not pave during the winter months when the temperature is below a certain degree. It will not cure, as it should at low temperatures.

b. To obtain a better base, a more thorough cleaning of the road of sand would allow the new asphalt to adhere better to the old asphalt.

c. Improve the edges of the road before re-paving the entire road.

d. Some roads may need to be widened due to deterioration.

10. Drainage issues have been added to the Road WG duties. They are examining all of the culverts and determined which may need to be unplugged of debris that has collected in them and made them useless or caused drainage problems. Some may need to be totally replaced for the same reason or because the ends of the tubing have been smashed due to heavy trucks rolling over them. Again, drainage problems have resulted due to inoperative culverts.



11. John Sparks said that all of the suggestions and proposals would come to the B Board for consideration. A plan of action will have to be proposed due to the cost of some of the proposals. This may be a 2 to 5 year plan depending upon the severity of the problems, labor costs, cost of materials, etc. Of course, immediate action will be planned this year and next on those roads and culverts that cannot be ignored without further severe damage to roads and property. John said that all of the money for roads has not been used on roads in the past. This is because thousands of dollars were moved to the Fore Seasons Restaurant. Clyde Johnson wanted to clarify this point. He said that in 2006 \$108,544 was collected for roads through the Road Assessment process. \$203,703 was spent on roads that year, even though \$311,945 was budgeted. The difference in what was spent and what was budgeted was transferred to FS. The B Board is going to review the issue of the Road Assessment as to whether or not we should maintain that assessment or include it as part of the dues. The raise in dues would encompass the "road assessment." This includes a discussion of the money paid in dues by Silverleaf. Silverleaf has agreed to raise the dues of each timeshare unit to equal the property owners' increase. This would provide more money in the budget to use toward roads. The Road WG and the B Board will provide a more thorough explanation of this issue to the property owners after further analysis.

12. The study of an Emergency Evacuation Plan was initiated last year. John Sparks said that the report from last year's Road WG was given to the present WG. Critical "choke" points have been identified. He mentioned Section 6 having only one exit. He mentioned the results of a massive storm like what was anticipated if Hurricane Rita would have hit HLR. An action plan is forthcoming from this WG.

E. Administration and Accounting WG - Larry Bowman discussed the following issues being worked on by this group:

1. The auditors are not working at HLR as of this time. In their contract, they were allowed to take a break during the prime time of income tax preparation. They will return to work on April 16th. They will be here for approximately two more weeks. They have obtained a lot of information from the General Manager's office and from specific individuals.

2. Recommendations have been forwarded to the Administration as far as the drug-testing program.

3. This group reviewed the "purchasing process". The Administration will begin a "purchase order" system.

4. A backup to the Administration's computer system has been developed.

5. Rob and Larry review the P & L statements every month.

6. Larry asked Sven Sterner, the chairman of this WG, for any additional comments. He added that the WG is reviewing the "debt load" of some residents. There are some individuals who are not paying their dues for one reason or another. This matter is under review.

7. A question was asked concerning the report in the Gazette concerning the garbage fee increase and if it was correct. Larry said that the figure Rob reported to the paper was last year's amount.

F. Fitness & Recreation WG - Bill Beggs said that the B Board accepted a suggestion from the WG concerning hiring an adult to supervise the pool on the West side. This was adopted because it was felt that an adult attendant would be better able and more willing to enforce the rules. The following questions were asked:

1. Barney Jones asked if it would be possible to hire someone who did not live on the Ranch. He was thinking that a non-resident would be better able to enforce the rules with everyone. Bill said that non-resident can apply, but the important point is to hire someone that the hiring committee feels will be fair in enforcing the rules.

2. Someone asked if it was possible for timeshare owners or non-residents to get in and use the West-side pool. Bill said there is always that possibility. Technically, both pools (the west-side pool and the east-side pool) are for both the timeshare owners and the residents. That was an agreement made years ago. Generally, the timeshare owners do not go across the road because of the location of their units. Nevertheless it is still important to have a responsible adult at the pool. It is important to have a person who is not afraid to ask for identification and/or authorization. Bill added that if the concern is the use by the people who come to stay at the proposed new timeshare Presidential units, Silverleaf is anticipating having to build other amenities, like a pool, in the area of the new buildings.

3. Someone asked if there was a plan to buy new furniture at the Westside pool. Rob said that new furniture was purchased last year. The cost was \$15,000.

G. New 9-Hole Golf Course Proposal - John Sparks said that the Board is currently discussing the "newest" proposal presented by Silverleaf Executives. The President of Silverleaf Resorts, Sharon Brayfield, the Chief Operating Officer, Joe Connor, and Bob Levy have met with the Board several times now. John said that the 9 holes are important to Silverleaf because of revenue gained from the building of Presidential units on the new golf course. He said that two years ago, HLR was going to pay the predominate portion of the golf course and its maintenance. Now, largely due to the "golf vote" that was taken, Silverleaf realizes that they are going to have to take up most of the burden of the total costs involved with such a project. Silverleaf realizes that the impact on the infrastructure is tremendous and they are addresses our questions and concerns with positive solutions. Silverleaf will begin payment for each unit as soon as they break ground and this money will be placed in an account to be used for maintenance and other expenditures. Unlike the first proposal, the timeshare assessment will not end after 5 years. It is on going. It should not be necessary to use the money obtained from each timeshare unit solely for the maintenance of the golf course.

Questions and suggestions from the audience include:

1. Someone asked if another golf committee was being formed. Jeanette Sterner said that was correct and the members at this time are: Bob Thomas, MGA President, Joyce McConnell, the WGA President, Coleman Stanfield, the Greens Committee Chairperson, John Westfall, and Babes Givens. Of course, the B Board members will be present as well as Sharon Brayfield, Joe Connor, and Bob Levy. The designer will attend some of the meetings. More information on the analysis will be published to the public.

2. A question was asked about a raise in dues. Bill Beggs said that from the initial study of the proposal, the golfers would pay an additional \$150 to \$200. However, it is hoped that the Board will be able to raise the golf fees by \$50 a person each year and not raise it to a total of \$200 all at once.

3. A question was raised as to the impact on property owners' taxes. Jeanette Sterner said that our Treasurer, Larry Bowman was analyzing this issue. She added that Silverleaf has provided an "Economic Impact Analysis" of the building of a new golf course and that analysis will also being reviewed by Larry.

4. Residents made several compliments to the B Board for their success in creating a cooperative atmosphere with the Silverleaf executives. They were pleased with the developments with the brush dump, the movement of the maintenance barn, assistance with making Fore Seasons more successful; and now, the much improved golf course proposal. With that, a resident asked the question as to what we, the B Board, have given up because of the cooperative effort of Silverleaf. John Sparks was the only B Board member to speak to this question, but in summary he stated that actually nothing has been "given up." There are still plenty of issues to discuss and improvements to be made. He stated that nothing has been taken off of the table and everything we have mentioned over the past several months is still open for discussion. He said that he thinks he speaks for the Board when he says, a lot of work has been done by the Board and Silverleaf and we look forward to a continued, positive working relationship.

H. By-laws and Rules WG - John Sparks said that this group has worked very hard over the last several months on the By-laws and now they have worked equally hard on the Rules and Regulations. He introduced Pat Jones, the Chairperson of this WG. She made the following points:

1. This WG will meet with the Architectural Review Committee and review the Rules and Regulations that have been compiled by the WG.

2. The WG located the "Subdivision Restrictions" that were on record. They date back to 1971. These can ONLY be changed through a ballot process.

3. The only amendments to the restrictions were completed in the 1990s and they relate only to the square footage of homes. Certain sections began to require that homes have a minimum of so many square feet.

4. All of the Restrictions have been located at the courthouse. Those that have been published in the past were not inclusive. The B Board will receive a copy of the correct Restrictions and will then be published for the property owners.

5. The developer initially set up the Rules and Regulations and they cover the "common areas." The Rules and Regulations can be changed by a "section vote."

6. Private land is covered by the "Restrictions." Again, they can be changed only by a ballot vote.

I. Fire Hazard & Risk Analysis - Bonnie Hardaway asked to speak on this topic. She spoke about the following topics:

1. D & L Tree Company can use a chipper on the trees located in the Brush Dump. This company is capable of handling up to a 12" tree trunk. For a fee, they are willing to pick up brush on private property. She feels that this option should be considered over burning. John Sparks said that this option will be reviewed. Until then, the brush dump will be opened shortly. A burn is scheduled as soon as the VFD sets the date and time.

2. Bonnie mentioned that Brookhaven has purchased a "Warning Siren." The VFD has tested the system and it is ready to be used during the spring and summer storm season. She suggests HLRA consider a similar warning system.

3. Bonnie mentioned that the Forest Service would complete a Risk Assessment for HLR. The assessment is free. All you have to do is write a letter asking for the assessment. John Sparks suggested to Rob that he inquire into this matter and correspond with the Forest Service.

4. She said that chlorine gas is stored on the property. Her fear is that if it were to catch fire, an explosion would cause the gas would leak. She suggested that better precautions should be taken with these gas containers.

J. General Manager's Comments - Rob James announced that there would be a blood drive on March 30 at the Holly Hall.

K. Open Discussion - Jim Atchley wanted to remind the Work Groups to work closely with the HLR managers and their staff. Allow them to do their jobs with minimal interference. Some of the WGs are large, so only a select few should approach the staff at any given time.

THERE BEING NO FURTHER BUSINESS, A MOTION WAS MADE A SECONDED THAT THE MEETING BE ADJOURNED. THE MOTION PASSED. THE SECRETARY OF THE BOARD SUBMITTED THE MINUTES OF THIS MEETING. THEY WILL BE CATALOGED UNDER THE NUMBER 032007. THEY WILL BE AVAILABLE IN THE OFFICE OF THE ADMINISTRATIVE ASSISTANT BY APPOINTMENT ONLY.