

**Management Report**  
**January 2008**

1. The association has received our engagement letter from the accounting firm of Addington & Associates, PLLC to perform our 2007 audit and tax returns. They expect to begin their audit work on April 16<sup>th</sup> and to complete our tax returns and issue their audit report no later than May 31, 2008. Their fees for services will not exceed \$8,850 for the audit and \$975 for the tax returns. These fees represent a 17% increase over the previous year. We recommend acceptance of this proposal by the Board today. In the next year as the new Audit Committee is formed, we would anticipate soliciting proposals from auditing firms for the 2008 audit and tax work.
2. You may recall earlier this Fall when Heritage Highlands was mentioned with several other area golf courses as being sued by Pima County over property tax dispute. The Sage Tax Group has been successful in reducing our property taxes on the golf course and other HOA parcels in the last two years through the Assessor's Office appeal process. Now the Pima County Attorney is attempting to contest that ruling in Superior Court. In order to protect our current favorable position, it is necessary to sign a representation agreement with the Sage Tax Group in our defense. I would ask the Board to approve the Sage Tax Group Representation at this time for an established fee of \$1,000 in attorney's fees and costs.
3. There remains a second property tax issue with the Sage Tax Group that needs Board consideration. HHHOA owns 14 recorded parcels in Assessor's Office. The Sage Group has been successful with several appeals on our behalf and most recently bringing the taxable value of the Fitness Center down to the minimum valuation. We still have 6 parcels that should be appealed in 2009. I request the Board agree to engage the Sage Tax Group to represent HHHOA in these property tax appeals in 2009 on a contingency fee basis.
4. I am pleased to report good news to the community regarding our commercial insurance renewal for HHHOA. Staff along with Mr. Bill Park have been working with our broker Willis of Arizona, Inc., to review competitive bids on our insurance package. This work has paid dividends this year coupled with a weaker insurance market to provide a savings with the start of our renewal on January 1, 2008. We will move from Fireman's Fund to Traveler's in 2008 for a \$26,000+ premium reduction. Traveler's is one of the largest insurance companies in the world and received an A+15 Best Rating. It is recognize financially by both Moody's and Standard and Poors to be in "stable" condition. We wish to publicly thank Mr. Park for his assistance during this process.
5. Please be reminded that we have again extended the invitation to the Gallery Sports Club members to be our guests at our pool and fitness center during the upcoming Accenture Tournament. These guests have been requested to check in at our front desk for identification and rules and regulations. The Gallery Sport Club will be closed from February 14-27.
6. On Thursday, January 17<sup>th</sup> you might encounter trouble phoning the Clubhouse. That day will be devoted to installation and training on our new phone system. Say a prayer that all goes well.
7. Our internal custodial team is beginning to take shape. We have hired one FT and one PT employee. The last key hire will be the FT evening custodian, but until that takes place Morgan will be working split shifts to help out.

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Jeff Ziegler, General Manager

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Date