



AROUND THE RANCH

FEBRUARY 2007

PROPERTY OWNERS ASSOCIATION OF TERLINGUA RANCH, INC.

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MESSAGE FROM THE PRESIDENT

BY JACK STATON

At the January 2007 POATRI Board Meeting I was elected President of the 2007 Board of Directors. I would like to take this opportunity to introduce myself to our members.

My history with the ranch goes back a few years. My first birthday was spent at a Chili Cook Off in the Ghost Town.

My grandfather owned the Terlingua Ghost Town in the 1970's and he also had a store and RV Park in Study Butte. My grandmother helped to teach school at a one-room

schoolhouse in Study Butte and my father was one of the original employees of Terramar.

My father can remember when the lodge was a house and the bunkhouse was a hay barn. My mother traveled over 50 miles on Sunday mornings, picking up children to attend Sunday School classes.

I am a third-generation director; my grandfather, father and mother all served on the Board of Directors. As you can see from my history I have more than a passing interest in Terlingua Ranch. Like most of our

property owners I am not a resident of the Ranch and only get to visit a few times a year.

However, I consider the Big Bend area my home and even though I am not a resident I want to ensure that my children, and one day my grandchildren, can be a part of the country that my family and I love so much.

The Board of Directors has a tough job ahead of it this year. I am honored to be able to serve our owners in this position and will work to bring a positive atmosphere to the Ranch.

OPERATIONS REPORT FOR THE 4th QUARTER 2006

BY ALIDA LORIO, GENERAL MANAGER

Many thanks to Ed Marcato for his volunteer efforts, and especially for the SPSC Road Report (see summary in this newsletter). This is one of the most important policy decisions that will come before the Board for the upcoming year and beyond. And it cannot be delayed, because the problems are here now, not in the future. The choices and the consequences must be fully examined and completely explained to the membership.

Issues of pending litigation have depleted both time and energy

regarding some of the long-term projects facing operations such as foreclosures and other collections issues. Normal day-to-day operations were handled during the quarter with minimum supervision. Great credit goes to our hard-working staff that they know their jobs and work responsibly to accomplish their tasks.

The resort had a good 4th quarter, although room rentals were down overall by 2%. RV & camping were up 25% over 2005. Word-of-mouth continues to be our best advertising, followed by our web sites.

Road crews have been working

steadily with little down time, at least until mid-January, when extremely unusual winter weather kept us off the roads. We are now back on rotation and attempting to deal with the damage done during the rainy spell.

Our primary concern for the upcoming quarters will be with increasing revenues both for the resort and for assessment collections. Interim billings in 2006 produced good results, so we will be doing it again periodically during 2007. We will send a reminder statement to those who have not paid 2007 at the first of March to encourage payment.

POATRI STRATEGIC PLAN: A BRIEF SUMMARY

Overview: This article is a one-page summary of our 11-page POATRI Strategic Plan. This abbreviated form is intended to provide all property owners a more concise understanding of our Strategic Plan and how it works.

Purpose: The **POATRI Strategic Plan** is a roadmap to help us make both short and long-term decisions for Terlingua Ranch operations over the next three to five years.

Mission:

- Protect property rights for the common good and benefit of all Owners.
- Enhance health, well being and safety within our community.
- Encourage the protection of our natural resources.
- Maintain and improve facilities, amenities and infrastructure through responsive services and fiscal responsibility.

Core Values: Core Values drive our Mission and our Vision, Goals and Objectives:

- **Protect our unique environment.**
- **Be customer service driven and support property owner participation.**
- **Be accountable for POATRI's resources within all governing requirements.**
- **Work together to accomplish goals and hold all participants accountable and responsible for actions, behaviors, and duties.**
- **Utilize facts and data to make sound decisions, come to consensus in the best interest of the organization, and follow through to support decisions.**
- **Act with honesty and integrity in all relationships; build trust by treating all stakeholders with fairness and respect.**

Vision, Goals and Objectives: The Strategic Plan identifies four major areas of the ranch and establishes a Vision, which is based on ownership surveys and workshops, with specific goals and objectives for each.

- **Road Maintenance:** Ensure road access for all of our membership. Implement road rehabilitation programs and new road maintenance techniques to improve the quality of our roads and to reduce expenses for repeated and excessive road repairs.
- **TR Resort/Lodge:** Successfully manage rustic and accommodating resort facilities for our property owners, as well as for non-owner visitors within the guidelines of providing a low impact on our culture, unique setting and sensitive environment while minimizing the necessary support from annual owner assessments.
- **Financial and Budget Management:** Maintain fiscal responsibility for all operations through effective budget management. Continue and improve effective budget oversight management by the Board. Eliminate unrealistic expectations about how much can be accomplished with limited funding and utilize realistic financial planning.
- **POATRI Organization:** Be a more viable organization by increasing membership good standing to 95 percent. Improve communication with, and participation by, members in the business of the organization. Increase the level of annual collections of assessments, decrease the level of past due assessments, and pursue collections of all accounts by appropriate means.

The Strategic Plan will periodically be reviewed and updated. The Strategic Planning Input Process is available for all property owners to make suggestions and contribute to our future. Please submit suggestions to SPSC@poatri.org.

AROUND THE RANCH is published quarterly by the Board of Directors of the Property Owners Association of Terlingua Ranch, Inc. and is provided free of charge to all members in good standing. Letters, comments, and suggestions are welcome. Letters may be edited for publication. Write to: Around the Ranch newsletter, PO Box 638, Terlingua, TX 79852. Or email: opsmgr@terlinguaranch.com.

LAWSUIT EXPENSES ARE CRIPPLING YOUR RANCH

BY DON BACKER, TREASURER

The lawsuit filed by a few ranch members and some non-members has created expenses beyond our ability to cover them through the normal course of business.

We discussed this extraordinary situation at length at our January Annual Meeting and the financial statements and budget numbers were presented and explained to make every member thoroughly aware of this dire situation. We said that very tough options must be considered to be able to survive these real, unanticipated expenses brought on by this legal action.

Over the past few years your ranch has made great progress in protecting and enhancing the value of your investment. We were rapidly covering the small operational debts and on track to eliminate these debts in approximately two years. This year alone 83% of the assessments were already collected by January 31st.

Our roads are in the best condition they have been in years and we have the best equipment and crews that we can find.

We don't want to have to increase any kind of assessments on you, the loyal owners, and we certainly don't want to lose the equipment or road crews.

But what are we going to do? We must find an early solution to get us beyond these unanticipated expenses and back to our sound professional management.

While we work on cutting corners wherever it won't cripple your ranch I would like to make an appeal that could be a great help.

VOLUNTARY LEGAL EXPENSE FUND: to pay exclusively the lawsuit-generated expenses such as insurance premiums increasing from \$805 to \$5,995 because of the lawsuit claim, employee time consumed in the research, production, and mailing of reams of requested historical information, attorney fees to pro-

tect the corporation...the list goes on.

This will not be a defense fund. It will not be associated with the defense in any way. All direct defense costs are being paid by POATRI insurance coverage. This fund will specifically be used to pay expenses imposed directly on POATRI. Any balance remaining after all lawsuit expenses will be transferred to the Reserve Account.

Please seriously consider this and mail your donation to the Ranch.

Note: The proposal for the creation of a Voluntary Legal Expense Fund was put before the POATRI Board in an email conference.

Directors supporting: Don Backer, Jack Staton, Jim Miller, Janet Sullivan, Liz Demetri, T. J. Ramey, Tom Durham.

Directors opposing: Jerry Brewster, Kathleen O'Keefe.

LAWSUIT UPDATE

BY RUDY CANO, CORPORATE COUNSEL

Following the January Board and Members Meetings, a number of owners asked for more clarification about the position of POATRI, the corporation, as regards the currently pending lawsuit.

Despite the fact that the petition was filed against individuals, the complaints of the plaintiffs appear to be about official acts taken by POATRI's BoD, which are therefore the acts of POATRI, the corporation. The individuals being sued have no authority or

power to change corporate acts, nor to negotiate a settlement on POATRI's behalf. This means that POATRI, although not currently a named defendant, is the only entity that can address the problems and complaints made in the lawsuit, and therefore must eventually be named as a party to that suit.

Whether this lawsuit is resolved by settlement or judgment, POATRI, the corporation, must be involved and must be represented by its own legal counsel. Short of

the presiding judge granting a dispositive motion in the defendants' favor, the only other alternative for the lawsuit to be resolved without POATRI's involvement would be its voluntary dismissal by the plaintiffs. And until POATRI is named as a party to the lawsuit, the corporation will continue to incur legal expenses because the applicable insurance policy does not provide coverage to POATRI to pay attorney fees so long as POATRI is not a named party.

SUMMARY OF RESOLUTIONS FROM 2006 BOARD OF DIRECTORS MEETING JANUARY 27, 2007

BY LIZ DEMETRI, SECRETARY

Directors present: Jack Staton, Don Backer, Jerry Brewster, Janet Sullivan, Tom Durham, Liz Demetri, T.J. Ramey and Kathleen O'Keefe. Absent: Virgil Evans.

The following resolutions were presented and acted upon by the final meeting of the 2006 Board:

The Policies & Procedures Manual be corrected to be in agreement with the original Board resolution regarding signatories to read "Access to the fund shall be by the signature of the President of the Board and two other officers of the Board." Motion by Jerry Brewster, second by Kathleen O'Keefe. 8 ayes, 0 nays, 1 absent (Evans).

That the revised budget for the fiscal year, 2007, as presented at the January 27, 2007 quarterly Board meeting be accepted as presented and that this budget be reviewed and revised during the first week of April, 2007 to adjust as dictated by actual collections and expenses as of March 31, 2007. Motion by Don Backer, second by Jerry Brewster. 8 ayes, 0 nays, 1 absent (Evans).

The General Manager of POATRI is authorized to obtain the necessary surveys and documents on the three-mile, more or less, extension of Terlingua Ranch Road for the purpose of pursuing the acceptance by Brewster County of the dedication of said three mile. Motion by Janet Sullivan, second by Tom Durham. 7 ayes, 0 nays, 1 abstain-Brewster, 1 absent (Evans).

MINUTES 2007 POATRI BOARD

JANUARY 27, 2007

BY LIZ DEMETRI, SECRETARY

The first meeting of the 2007 Board of Directors convened at 12:55. The newly elected directors, Jim Miller, Tom Durham and T.J. Ramey were seated. Also present were the remaining directors, Janet Sullivan, Don Backer, Jerry Brewster, Kathleen O'Keefe, Jack Staton and Liz Demetri.

The following officers were elected:

Jack Staton, President

Jerry Brewster, Vice President

Don Backer, Treasurer

Liz Demetri, Secretary

The banking resolution listing the names of the new officers passed unanimously. Meeting adjourned at 1:40.

ARTICLE 3.11 HEARING SUMMARY REPORT

BY DON BACKER, MODERATOR OF
HEARING PANEL

The POATRI Board of Directors convened in Executive Session at 8:30 a.m., Jan. 25, 2007 with six directors in attendance. A quorum having been established, Directors Tom Durham, T.J. Ramey, and Janet Sullivan recused themselves from taking part in the discussion or the hearing process.

It was agreed that the three remaining directors, O'Keefe, Brewster, and Backer would conduct the formal 3.11 hearing and their decision would be binding on all parties.

The three deciding directors discussed the information presented and after lengthy deliberations a vote was called as to whether the affected members should be sanctioned for having failed to avail themselves of the Issue Resolution Procedures, as outlined in the Policies & Procedures Manual, before filing a lawsuit.

A decision of "No Cause" was reached based on the vote of "Nay" by O'Keefe and Brewster and a vote of "Aye" by Backer. The formal report of this panel may be viewed in its entirety on www.poatri.org.

**NEXT MEETING OF POATRI'S BOARD OF DIRECTORS:
SATURDAY, APRIL 28, 2007, 10 AM AT TERLINGUA RANCH HEADQUARTERS.**

NOTES FROM MEMBERS MEETING JANUARY 27, 2007

BY LIZ DEMETRI, SECRETARY

Alan Baker, selected by members as moderator, opened the meeting. From the ballot, 327 owners opted for being part of the quorum, but were not counted as votes in the non-binding resolutions.

A proposal was made that the board investigate the possibility of a graduated fee based upon appraised value. Included in the discussion:

- New fees just set 2 years ago and approved by members
- Worth look at, but based on appraisal too labor intensive for office
- Options to members weren't clear and should be based on amount of land owned
- Biggest complaint is seeming inequity of fees, possibly an additional charge per tract
- Various comments regarding fairness
- Many comments on not now but refer to a committee for later review
- Resident fee

• Use tax appraisal

Dean Willis restated a non-binding resolution to have membership fees looked at again. Seconded by Larry Gorden. Options to be considered were included in the discussion. **Motion passed.**

Bonnie Hill made a motion "to ask the Board to keep newsletter and ballots unbiased with no opinion expressed." Seconded by Shawn McGuyer. **Motion failed.**

Included in discussion:

- Offended by newsletter "telling people how to vote."
- Information sent in ballot packets
- Do people want the board and management to deal with inaccurate information?
- Black and white facts should be brought to board to decide
- Misprints compared to misstatements of fact
- Must present facts and didn't feel newsletter told anyone how to vote

Dean Willis restated resolution as "Caution board to refrain from edi-

torializing in ballot material. Ballots should go out as presented." **Motion failed.** Discussion included:

- Do members want to see "just any" possible erroneous statements being sent out
- Just the resume without any other information
- New owners need to know more information on candidates
- Information not by board but by campaigns
- Responsibility of board to insure correct information

Jane Brewster moved to have POATRI complete the work on the Bunk House Conference Room Alida Lorio seconded. **Motion passed.** Discussion:

- Loves the bunk house, meetings much better than in restaurant
- Need more volunteers
- Materials will be \$35,000. With volunteer labor
- Is this the best use of assessment fees since used mostly by local people.

ROAD STUDY REPORT LOOKS AT FUTURE NEED FOR ROAD MAINTENANCE

Through the Strategic Plan (SP) Input Process, a property owner asked how POATRI should deal with the increasing need for road maintenance.

The SP Steering Committee conducted a preliminary study and found that many property owners stated that the roads are in as good or better shape than they have ever been. However, the study also found that property owner demands have increased significantly for more and better road mainte-

nance, and there are many roads on the ranch that are in need of major repairs.

The following are some of the problem areas identified in the study that need to be addressed:

We as property owners need to determine what level of road maintenance we want and are willing to pay for.

There are both legal and maintenance issues over gates and barricades that will have a significant cost impact on POATRI.

Current revised budget plans do not include funds for additional road maintenance equipment, road repair projects, and major rebuild programs.

There has been a major increase in tract subdivisions and sales of 5-acre parcels, and the road maintenance costs are projected to exceed assessment fees for these areas.

The report recommended, and the Board approved, to establish a long-term Road Maintenance Planning Task Force to work on these issues.

BUDGET REPORT FOR THE 2007 FISCAL YEAR

BY DON BACKER, TREASURER

A revised 2007 budget has been presented to the Board and includes the following changes:

- We enter 2007 with \$72,000 less in cash from 2006 assessment collections; effectively this results in the LOC not being paid off in December as planned.
- Lawsuit expenses have increased the line of credit to be repaid by \$15,000 over the \$55,000 that was used for operations
- Due to a lower actual CPI adjustment, the 2007 assessment billing was reduced from \$660,000 to \$645,250, a reduction of \$14,750.
- Due to 2006 collection data, we are increasing the 2007 uncollected forecast from \$132,000 to \$165,000, leaving net collectibles forecast at \$480,250.
- Lawsuit expenses are budgeted for \$84,000, but may be higher
- Planned wage increases for

employees who have not had an increase in two years have been removed from the budget, reducing payroll expense by \$27,000

- The budget for outside contract road services (bulldozers, dump trucks, road base material) for road repair has been eliminated.
- There is no contribution to the reserve account budgeted in either the July or current versions of the 0207 budget because there is a deficit.
- The revised budget results in a deficit of \$161,410, of which approximately \$100,000 is directly related to the lawsuit.
- The remaining \$61,410 of the deficit is the result of adjusted 2007 assessment collections and the shortage in forecast 2006 collections to repay the 2006 line of credit.

The deficit will be reflected in an increased line of credit and therefore an increased debt service expense.

Action Plan

As a result of the challenges we face for 2007 we will need to monitor our cash collections very carefully and be prepared to make further adjustments to the budget if necessary.

We need to make all of our property owners understand how critical it is for them to pay their assessments by March 31st so we can minimize the use of our line of credit and debt service expense.

Until the lawsuit is concluded we will have a very large unpredictable expense that will limit other projects, including road repairs, and be a continuing risk to our financial stability. Depending on how and when these expenses occur we need to determine how we want to finance them.

And, we need to communicate clearly with property owners what our situation is and that it will affect our ability to provide normal services to them.

POATRI CASH FINANCIAL INFORMATION SUMMARY FOR THE 12 MONTHS ENDING DECEMBER 31, 2006

	Cash Position	Comments & Supporting Information
Cash Balance Jan. 1st	44,904	
Cash Collected Jan 1-Dec. 31	694,107	2006 assessments collected = \$438,258 plus \$64,286 in Dec. 2005 = 83% of 2006 assessment billed
LESS		
Expenses Paid	556,597	Expenses are 6% lower than budget
Assets Purchased	94,313	Includes TRIPOD software, road maintenance equipment & vehicles
Debt Service	12,548	Repayment of line of credit, 2 road graders, well property, & trucks
Cash Balance as of Dec. 31st	75,183	
<u>POATRI Financial Information Comments & Supporting Information</u>		
Assessment Receivables Balance	1,085,947	\$645,250 from 2007 Assessments, \$165,000 identified as noncollectible = 2007 collectible receivables = \$480,250
Provision for Doubtful Accounts	168,819	For Prior Year Assessments – does not include \$165,000 noncollectible estimate for 2007 Assessments

We will continue to improve this report and present it in the newsletter.

A complete set of financial statements is produced every quarter and made available to you at www.poatri.org.

TREASURER'S REPORT FOR THE PERIOD ENDING DECEMBER 31, 2006

BY DON BACKER, TREASURER

Revenue – Cash Collections

As of Dec. 31 we have collected \$502,544 or 83% of 2006 assessments billed, which was \$608,000.

Assessment collections were \$72,000 less than what we projected for the 2006 budget. The outstanding receivables balance includes \$41,400 from 292 accounts that have not paid the 2006 assessment only, and an additional \$47,700 from 336 accounts that have not paid the 2006 and some portion of the 2005 assessment.

Resort revenues for the year were \$255,849 as of Dec. 30, down \$26,766, or 9.5 %, from last year's \$282,615. It should be noted that reports from Big Bend Tourism Council indicate that revenues in general are down about 10% this year to date.

Ranch Expenses

Total ranch expenses for the year are \$641,672, which is 6% below the expense budget of \$679,700. The lower expenses are in resort area where expenses were reduced due to continued budget management.

The net loss or shortfall from the resort for the year is \$65,000 which is \$9,000 less than last year's shortfall of \$74,000. I should remind everyone that there are annual fixed expenses, including insurance, maintenance, and taxes associated with the resort assets of between \$70 and \$80,000 per year, so any loss less than this amount actually results in a positive net cash contribution to the overall operation. This year the resort contributed approximately \$10,000 positive cash flow to operations.

Financial Audit

The audit for the 2006 year by an independent auditor is scheduled to

begin on February 6. As you all may know, we instituted this external audit process in 2003, with the 2002 books.

Short Term Line of Credit

Our short term Line of Credit limit for 2006 was set at \$100,000. We actually borrowed \$70,000 against the LOC, of which \$15,000 was needed for expenses related to the lawsuit. In actuality we borrowed \$55,000 for operations, which is the same amount we borrowed in 2005.

As I did at our last meeting, I would like to make it clear to everyone that the need to borrow short term cash each year results from property owners not paying their assessments when they are due, which is March 31st. If all property owners had paid their assessment invoices by this date, there would be no need to borrow short term cash.

I also want to inform everyone that this year we will resume our practice of charging interest for 2007 assessments paid after March 31st. We have charged interest in years past but suspended the practice last year as a courtesy to property owners because of the assessment increase.

Financial Reports

All our financial statements and

other reports, including a detailed collections report are available on the web site, and those without computer access may request a copy from the office.

We also provide a very brief financial summary in the newsletter, which is also posted to the web site.

Lawsuit Expenses

2006 cash expenses related to the lawsuit are \$28,000. It is projected lawsuit related expenses for 2007 could be up to \$84,000. These are expenses to POATRI over and above the actual defense costs, which are paid by our insurance coverage.

Challenges for 2007

We need to continue to improve our forecast of assessment collections. As a result we have decreased our budgeted collections forecast for 2007.

The lawsuit remains our largest unknown expense for 2007 and will definitely affect our financial stability.

We are continually learning about what it will take to maintain, repair and rebuild our ranch roads. The Strategic Planning Steering Committee has submitted a preliminary report on Road Maintenance and Repair, and the costs associated with the various types of road projects will definitely challenge our budget.

Did you move? Did your mailing address change?

Did you sell any of your property on Terlingua Ranch?

Please alert us of the name and address of the buyer.

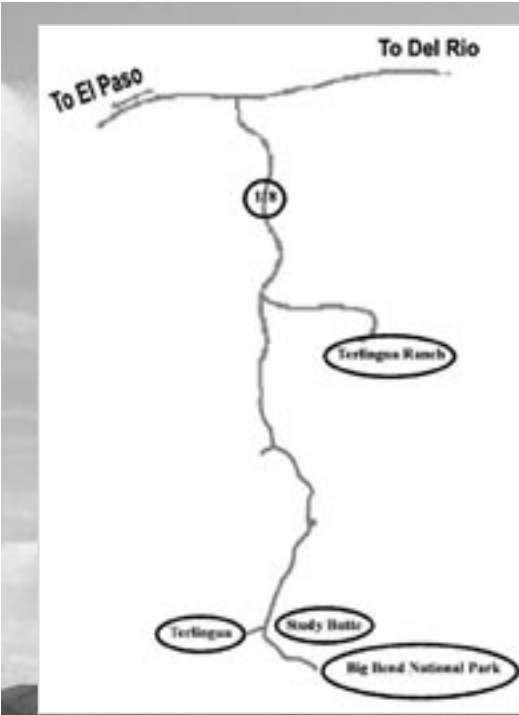
Did you buy property?

Please send us a copy of the certified deed filed with Brewster County.

Please notify POATRI of any of these occurrences so we can keep our records up to date and keep you informed.

Thanks!

propertyinfo@terlinguaranch.com 432 371 3146



Terlingua Ranch Lodge is located at the base of the Christmas Mountains in the heart of the Big Bend of southwest Texas, 60 miles south of Alpine and 16 miles southeast off state highway 118.

We have 32 well-appointed motel rooms, an excellent restaurant, live music, fresh air, and a pool – in one of the most unique landscapes in Texas. Stay with us and enjoy the quiet and beauty of the Chihuahuan Desert.

Group rates are available. Children & pets are welcome. We accept MasterCard, Visa, and Discover. For more information, call us at (432) 371-2416. Or write PO Box 638, Terlingua, TX 79852. Or visit our website: www.terlinguaranch.com.

Contact members of the Board of Directors via visiting our website:

www.patri.org.

Contact the Terlingua Ranch office by calling:

(432) 371-2416.



PO Box 638

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RETURN SERVICE REQUESTED.