



TERLINGUA RANCH
POATRI BOARD OF DIRECTORS
BULLETIN #1 – August 15, 2008
*Options for the Terlingua Ranch Resort Facility –
Part One*

Dear Terlingua Ranch Property Owner:

Because of the many truly important issues before POATRI and Terlingua Ranch owners, your Board of Directors has decided to forego the regular quarterly newsletter and to replace it with a series of bulletins. These news bulletins will be mailed to you at least monthly, perhaps more often, as information becomes available for your consideration. We are hopeful that more frequent communication will lead to more owner participation in the decisions before us. Please become involved. The Board is soliciting well considered and common sense input from all property owners.

OPTIONS AVAILABLE FOR THE FUTURE OF THE RESORT FACILITY

By now you have received a billing for \$65 which is necessary to close 2008 with a balanced budget. That billing outlined cost reductions for the remainder of this year which are necessary due to the failure of the proposed assessment increase in the recent TRMA election. One of those cost reductions included the temporary closure of the resort facility.

The most important issue at stake at this time is that Terlingua Ranch Lodge is the most valuable financial asset held by POATRI. State law and our own governing documents set strict guidelines for the disposition of this major corporate asset.

SELL THE PROPERTY: Earlier this year, the Board of Directors seriously considered selling the property in order to direct more of the annual assessments toward road maintenance and collections activity. Detailed research into the steps necessary to divest POATRI of Terlingua Ranch Lodge revealed the following:

- State Law requires ¹⁾ a resolution from the Board to sell the property, ²⁾ followed by a Members Meeting at which 10% of the Members in Good Standing are present, and ³⁾ at which meeting 67% of those Members attending vote to approve the resolution.
- Further, with this approval, the restrictions of the Protective Covenants & Use Restrictions imposed by Terramar upon the resort property must be met before any sale can take place.
- In any sale of the resort property the Protective Covenants, which guarantee use of the facility to all owners, must either be accepted and followed by the buyer, or must be terminated or amended prior to a sale.
- Termination or amendment of the Protective Covenants requires the agreement of the owners of 51% of the real property that is Terlingua Ranch. By legal definition this includes the former hunt parks and the property owned by POATRI. Terlingua Ranch consists of over 189,000 acres, which means that the owners of almost 97,000 acres must be in agreement to terminate or to amend.
- It is estimated that to successfully accomplish a termination of the Protective Covenants or an amendment which would be acceptable to a potential buyer of the resort facility is a process which would take two years to complete.

MANAGE THE RESORT TO FULFILL ITS POTENTIAL: As an asset of the corporation and a facility that was meant to enhance the property values of Terlingua Ranch property, it is vital that owners understand the need for commitment to the resort facility as a potential profitable business. Even if a decision is made ultimately to divest POATRI of the property, it is incumbent upon the Board to ensure the greatest possible return to POATRI.

Unfortunately, at no time in the history of Terlingua Ranch has the resort facility come close to breaking even, much less showing a profit, for POATRI. Operating the resort as a low-profile facility with no advertising or marketing for the past twenty years has kept our annual occupancy ratios below 25%. With an 8-year average of 2500 room nights per year, owners have accounted for only 778 room nights annually. Over the same eight year period the average annual loss for the resort has been \$62,120. These losses have been covered out of assessments. To limit ourselves to an owners-only facility or to continue the “no advertising” strategy means increasing the loss and the amount of assessments needed for support of the resort without funding for much need repair and maintenance of the asset.



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POATRI Board of Directors
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IMPORTANT NEWS FROM THE TERLINGUA RANCH BOARD OF DIRECTORS



Official Terlingua Ranch News – Please Read

It seems self-evident that continuing a “money-losing” proposition is not in the best interests of either POATRI as a corporation or the owners of Terlingua Ranch property. It also seems self-evident that POATRI cannot easily divest itself of the expense of running an unprofitable business. Therefore, it seems equally evident that a full commitment to the resort facility and an equally full commitment for investment to maintain and improve the value of the property are necessary to the financial health of POATRI as well as the overall value of Terlingua Ranch property.

It is important that the resort facility be reopened as early in 2009 as possible to maintain our current customer base upon which to build higher occupancy. Therefore, the Board of Directors will be shifting its budgetary focus toward a commitment to resort management, marketing and asset improvement. Our next bulletin will provide more details of the projected March 1st reopening and the budget issues that we, the Directors of the POATRI Board, and you, Terlingua Ranch property owners, will be facing for the upcoming year.