

AROUND THE RANCH

FEBRUARY 2008

PROPERTY OWNERS ASSOCIATION OF TERLINGUA RANCH, INC.

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MESSAGE FROM THE PRESIDENT

BY ELIZABETH (LIZ) DEMETRI

At the January, 2008 POATRI Board Meeting, I was elected President of the 2008 Board of Directors.

I want to thank all those who voted for me during this recent election. I appreciate the trust the majority of the directors have in me by electing me President.

I have served on the Board as Secretary for the last three years. During these last three years, we have faced some trying times. I am confident that we will be able to move forward and put the past behind us.

In spite of the pending lawsuit, we have been able to keep Terlingua Ranch operating. This has required hard decisions that have not always been popular but have been made because we all care about the future

of Terlingua Ranch.

I want to thank our General Manager, Alida Lorio for "holding it all together" and our Treasurer, Don Backer for his tireless work. I also want to give a special thanks to Janet Sullivan, who has left the Board this year, for her nine years of service.

The Board of Directors and the POATRI membership face even more challenges this year.

To create positive and productive results for all property owners will be our primary objective for 2008, and I pledge my time and energy as President to keep the Board focused on its job of policy setting, correcting policy as needed and focusing on the long-range planning necessary to ensure a safe future for Terlingua Ranch.

Resignation Announcement February 20, 2008

Directors Jerry Brewster and Kathleen O'Keefe have informed the POATRI Board of Directors of their resignations to be effective immediately. As referenced in the Policies & Procedures manual, applications will be taken from members in good standing interested in filling the positions until the next election. Applications must be received by the General Manager within 30 days of this posting. Selections will be made at the next Board meeting on April 26, 2008. Applicants will be required to attend and review their applications with the Board. The current Director Application packet may be downloaded from www.poatri.org.

NEXT MEETING OF POATRI'S BOARD OF DIRECTORS:

SATURDAY, APRIL 26, 2008 – 10 AM AT TERLINGUA RANCH HEADQUARTERS

SUMMARY OF RESOLUTIONS FROM BOARD OF DIRECTORS MEETING JANUARY 26, 2008

BY LIZ DEMETRI, SECRETARY FOR 2007

Directors present: Don Backer, Jerry Brewster, Liz Demetri, Tom Durham, Jim Miller, T.J. Ramey, Kathleen O'Keefe and Janet Sullivan.

The following interim resolutions were read into the records:

That the section currently on the POATRI website titled "FAQ-coming soon" be removed as decided at the October 27, 2007 Board Meeting. Motion by Liz Demetri, second Jerry Brewster. 6 ayes, 0 nays, 2 absent – Ramey & Miller.

That a notice showing the correct

day to receive ballots is January 25, 2008 instead of January 25, 2007 be posted on the POATRI website and the ballots for this election be accepted as valid with the typographical error. Motion by Liz Demetri, second Don Backer. 8 ayes, 0 nays.

In Executive Session on 1-25-08, a resolution giving a Vote of Confidence to the POATRI attorney, Rudy Cano was passed. Voting for: Don Backer, Janet Sullivan, Jerry Brewster, TJ Ramey, Tom Durham, Liz Demetri and Jim Miller. Voting

against: Kathleen O'Keefe.

Passed during the regular meeting:

To clarify, that in this January, 2008 election, no ballots will be excluded from any owners due to non-payment of NRC and / or SIA fees alone in accordance with the Board's action in October 2007. Motion by Kathleen O'Keefe, second Liz Demetri. 8 ayes, 0 nays.

All committees were disbanded by E. J. Brewster as presiding officer of the currently seated Board.

MEETING OF THE BOARD OF DIRECTORS FOR 2008

JANUARY 26, 2008

The meeting was called to order by Jerry Brewster, presiding officer. Directors in attendance were Jerry Brewster, Kathleen O'Keefe, Liz Demetri, Tom Durham, T. J. Ramey, Jim Miller, Dick Willauer and Frank Oxsheer.

The following directors were elected as officers of the 2008 Board: Liz

Demetri, President; T. J. Ramey, Vice President; Don Backer, Treasurer; Tom Durham, Secretary.

Resolutions were passed to change signatories on the POATRI checking and savings accounts. President Liz Demetri announced that all committees would be in place within a week. It was confirmed that there was not

a quorum for an official Members Meeting, but an unofficial meeting could be held.

There was no further old or new business. The motion to adjourn was made by Don Backer and seconded by T. J. Ramey and passed unanimously. The meeting was adjourned at approximately 3:30 PM.

2008 POATRI COMMITTEES & TASK FORCES

Executive Committee: Liz Demetri (Chair), TJ Ramey, Don Backer, Tom Durham

Audit Committee: Clara Willis (Chair), Marbert Moore, Dori Ramsay

Budget & Finance: Don Backer (Chair), Ed Marcato, Diana Wysocki, Merrill Jordan, Dick Willauer, Linda Cataldi

Strategic Planning Committee: Frank Oxsheer (Chair), Ed Marcato, Steve Cobb, Alicia Gill, Janet Sullivan, Jim Miller, John Cataldi

Media/ Communication (includes Website and Newsletter): Dick Willauer (Chair), Renee Ramey, Steve Cobb, Robert Fuller, Matt Mathews

Hunt Committee: Jim Miller (Chair), volunteers as assigned.

Director Application Committee: Liz Demetri (Chair), Don Backer, Frank Oxsheer, Dick Willauer, Jim Miller, Clara Willis, Alida Lorio

Succession Planning Task Force: TJ Ramey (Chair), Merrill Jordan, Larry Gorden, Tom Gilbert, Alida Lorio

SPSC Road Issues Task Force: Tom Durham (Chair), Barbara Trammell, Doug Fagg, Charlie Oaks, Art Eattman, Frank Oxsheer, Alida Lorio

IRP Task Force: Liz Demetri (Chair), TJ Ramey, Don Backer, Tom Durham, Jim Miller

NOTE: With the exception of the Audit Committee, the President of the Board is an ex-officio member of all committees. The General Manager is an advisory member of all committees and task forces. The Chairs of the Committees and Task Forces may add other members as needed or for additional input.

NOTES FROM POATRI MEMBERS MEETING

JANUARY 26, 2008

The annual meeting of Members of POATRI was called to order on January 26, 2008, at approximately 4:00 P.M. at Terlingua Lodge by out-going Board Presiding Officer Jerry Brewster, who announced there were not sufficient members present or who indicated their willingness to be counted toward a quorum to satisfy the quorum requirements for a formal meeting of the Members.

Brewster then called for the election of a permanent chair for an informal meeting. Nominated were Jerry Brewster and Dean Willis. On a show-of-hands vote, Willis was chosen to chair the meeting. Willis called for topics of discussion with the following results:

Ed Hersey suggested the establishment of a committee to study how to balance the functions of the road maintenance effort and what he called the hospitality department. Alida Lorio pointed out that the Strategic Planning Steering Committee has the responsibility of implementing the Strategic Plan for the lodge area, and the Board would have a committee assigned to that duty in the coming year. Hersey explained in more detail his proposal to increase revenue from the hospitality area, emphasizing ecotourism, hiking, biking and possibly a hostel operation affiliated with the international hostel organization. He also thinks POATRI should seek to involve outfitters, franchisers and other business people (local and regional) in attempts to attract visitors to the Lodge.

Alan Baker proposed that the Board consider an election procedure that would save time and

money should the court decide that the Membership will be asked to vote on whether to approve the proposed settlement of the lawsuit pending in Brazoria County. He suggested the Membership be given an opportunity to approve or disapprove a fee increase that would only be effective if the settlement proposal was defeated. This would prevent having to hold two elections and would save postage and printing costs.

Steve Cobb asked for a discussion on how to increase voter turnout in POATRI elections. On the subject of voter participation, Hersey offered the opinion that a 20% turnout was not too bad compared to other organizations he has observed.

Kathleen O'Keeffe said she had received several complaints from property owners who said they had not received a ballot. She reminded Members they need to keep their address information current. Lorio said every request for a replacement ballot was answered by sending one via regular or e-mail. Willis noted an electronic version of the ballot can be put on the POATRI web site and could be downloaded by a property owner to his or her personal computer for printing. Lorio stated ballots are only mailed to those who are in good standing at the time the official voters list is produced, which may explain why some owners who complained did not receive a ballot.

Pat Wheaton asked for help in controlling trespassing and hunting without permission on her property and in the Cedar Springs area. Joe Wheaton reported a

Game Warden told him if the name of Terlingua Ranch was Terlingua Ranch Estates or Terlingua Ranch Subdivision, hunting from the ranch roads would not be legal. Jim Miller offered to look into the suggestion.

Miller advised property owners to clearly mark their boundaries with purple paint to make it easier for law enforcement to make a good case for prosecuting poaching. Lorio said making a commitment to testify against illegal hunters is a necessary step owners must take to help control this unlawful activity. Cobb asked whether the manual for hunters published by Texas Parks and Wildlife covered the issues of hunting without permission. Miller replied that it does.

Hersey suggested formal notification of persons who are suspected of illegal hunting is a good step to take as a preventative measure. Dick Willauer suggested the formation of neighbor watch organizations might help in prevent some illegal hunting, as might regional meetings of property owners held under the auspices of POATRI. Willis suggested an organization could be established to act as agent for absent property owners who wished to have their property protected from illegal hunting.

Liz Demetri requested that Members with ideas to submit to the Board also submit some suggestions for implementing the proposal, such as how it would be funded.

Clara Willis moved to adjourn the Members' meeting, and without objection it was so adjourned at 5:01 P.M.

STRATEGIC PLANNING STEERING COMMITTEE REPORT

BY T. J. RAMEY, CHAIR

The SPSC has remained virtually inactive during the past year due to the ongoing lawsuit. However, I would like to make the property owners aware of the status of several projects that have had some activity since 2005. Any activity concerning road maintenance will be reported by the Road Issue Task Force.

The Strategic Plan in 2005 called for an electrical upgrade with an estimated cost of \$13,300.00. As of December 31, 2007, approximately \$5,787.00 has been applied to the partial completion of the project.

We had an estimated cost for re-new cabana/patio covers project of \$1500.00, of which \$470.00 has been

applied as of December 31, 2007.

A project to replace cabin porches at an estimated cost of \$61,600.00 was approved in 2005. To date, \$3,900.00 of that estimate has been spent on repair to porches needing immediate attention.

A project for replacement of carpet in cabins where needed was estimated at a cost of \$8,000.00. Total spent on this project as of December 31, 2007 is \$1,600.00.

I hope that during 2008 we will be able to resume working on projects previously approved by the Board of Directors. However, this will depend on the outcome of the current lawsuit.

LAWSUIT UPDATE

BY RUDY CANO, POATRI COUNSEL

Approval of the proposed settlement is still pending. The court held a hearing on January 18 for property owners to voice their opposition to the proposed settlement. Following the hearing, Judge Denman requested legal briefs on two issues: 1) Could the defendant directors vote to submit the proposed settlement to the court for approval? and, 2) Does the court have the legal authority to amend the Terlingua Ranch Maintenance Association (TRMA) agreement in a lawsuit against the administrator, which is POATRI?

Legal briefs were submitted and the court accepted the legal

authority in POATRI's brief in support of allowing the named defendant directors to vote on submitting the proposed settlement. Basically, the key issue is one of fairness to POATRI and its members. Since the court makes the determination of fairness in a derivative lawsuit, the court saw no conflict in allowing the named defendant directors to participate in the vote to submit the proposed settlement to the court.

No authority was found to support the proposition that the court was empowered to amend the TRMA, absent complete agreement by all parties. Ac-

SPSC ROAD ISSUE TASK FORCE JANUARY 2008

BY TOM DURHAM, CHAIR

As with October's report, there has been very little activity in communication with this task force. The primary reason for this is the uncertainty created by the ongoing legal action as it affects Policy and Operational issues related to finances, as well as the holidays, which always have a tendency to divert one's energies.

With the proposed settlement of the legal issues at hand, hopefully we can get back to our required tasks. Mapping of the problem areas is still progressing.

It is certainly my intent to revitalize this task force in the coming year for the future benefit of all property owners.

cordingly, it was proposed that the settlement TRMA be put to a vote of the membership. The court requested an agreed order. All attorneys signed the agreed order, except for plaintiff Andrew Guill's attorney. To date, Mr. Guill's attorney has not agreed to sign the order which would allow the property owners of Terlingua Ranch the opportunity to vote on the proposed TRMA and potentially bring the lawsuit to an end.

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.

A FAREWELL FROM JANET SULLIVAN, DIRECTOR 1998-2007 SERVED AS PRESIDENT, VICE PRESIDENT, AND SECRETARY

The last nearly 9 years have been interesting, both wonderful and awful – but life is kinda like that.

A few words before I take my leave of the POATRI Board – about the changes.

When I began, there were no policies and procedures that could be found; now we have a fully developed and consistently updated set.

There wasn't a budget at all. A couple of years later, a two-page budget was written – obviously not very inclusive. Now, we have a full-blown professional budget that is a yearlong process. Even though the same bookkeeping system was used, the reporting was very elementary, so no wonder members were confused. Now, a full QuickBooks account is available at all times – either by request or on the website.

No audits were done when I joined the Board; now, we have had 5 continuous years of annual audits, all of which ended in conformity with generally accepted accounting principles of the United States.

The directors had no easy access to all documents and now, in accordance with national protocol, all directors are furnished with a full manual as soon as they are seated.

Our management was still of the "sales force" style, not actual business principles. In fact, the manager, when I came on, was spending about 65-70% of his time grading roads. , Now, there is a full-time manager of the entire operation of Terlingua Ranch.

When I began with the Board, there was about ½ of a road maintainer; it was broken the rest of the time. There was no type of schedule for roads and very little record keeping. Now, there are two full maintainers, with a well-trained staff, who do planned work and keep excellent logs.

At that time, there was even a Resort Operations committee that was "in charge" of cabins, entertainment, pool – all without having any clue of available funds or schedules. They tried, of course, but it was impossible. All of these areas are now within the general management and carefully tracked.

We now have a cadre of professional advisors, so that neither management nor the board has to get into situations without expertise.

We have also realized that we have close to a \$1 million budget and our assets are about \$2 Million. This necessitates a real business – a real corporation; the days of "hip-pocket" ranch operations are just simply GONE.

If anyone ever thinks that nothing is happening and gets discouraged, you can see that many steps have been taken, much progress has been made.

Even though the last couple of years have been a lot of "tail wagging the dog," I have belief in the property owners of Terlingua Ranch that even through the trials and tribulations, the Board of Directors will continue to make even more forward and positive steps.

I'm really proud to have been a part of this growth, this maturity, this stability. The end of my tenure is, of course, bittersweet. Good luck to all and thanks for letting me be a part of it for so long.

HUNT COMMITTEE REPORT JANUARY 2008

BY JIM MILLER, CHAIR

This deer season got off to a slow start. On opening weekend temperatures dropped into the twenties and brought snow, sleet and high winds. Most hunters either stayed where it was warm or decided to go home and try at a later time.

After opening weekend, temps warmed up and we had mud from melting snow. Some hunters and property owners were stuck in the mud or stranded and could not leave their area. So, opening season started slow but improved quickly.

As always there were happy hunt-

ers and disgruntled hunters. The weather was great the remainder of the season and most enjoyed it.

As always we had hunters hunting on someone else's property without permission. Texas Parks and Wildlife Outdoor Annual Hunting and Fishing Regulations provide rules that govern all hunting situations. Everyone should review these every year.

This year we discussed different issues with hunters while registering them at POATRI Headquarters. Many questioned the rationale of registering hunters when everyone is hunting

or supposed to be hunting on their own property. Hunter registrations will be reviewed with management and presented to POATRI's Board for future action. We had many good and positive comments about the Ranch, except for the weather on opening weekend, which only Mother Nature can control.

Thanks to everyone involved in this year's deer season, especially the volunteers. We noticed that we get fewer volunteers each year. This will possibly influence future registration action.

TREASURER'S REPORT FOR THE PERIOD JAN. 1 - DEC. 31, 2007

BY DON BACKER, TREASURER

1. Revenue – Cash Collections - Performance

• January 1 - December 31, cash collected was \$926,955 (\$554,341, current and prior year assessments; \$16,700, tax sale proceeds; \$80,000, NRC applied to lawsuit expenses; \$12,900, volunteer and miscellaneous revenue; and \$263,000 from the resort operation.

• Assessment collections are only \$4,000 below our budget for the year, which shows we are getting better at projecting our assessment collections.

• Resort revenue for the year was \$8,000 over our forecast. Resort expenses were below budget by \$40,600, resulting in a net operating loss of only \$42,600, well below the projected shortfall of \$93,100. The per property owner cost was just under \$13 or 9% of the 2007 assessment

• The combined Assessment and Resort total achieved a positive Net Operating Revenues to Capital Reserve of \$53,000. After payments for assets, including the two Motorgraders, two trucks and the well property, we had a net cash flow shortfall of \$14,500 for the year.

2. Ranch Expenses

On the Assessment side operating expenses were \$6,700 under budget.

During this year we experienced a wide range of expense variations:

• We were under budget in payroll by \$57,000, due to being short staffed

• Professional fees are over budget approximately \$42,400, because we are being forced to use legal counsel before making certain decisions.

• 2007 brought major price increases in fuel, equipment, parts, and building materials which caused us to be over budget by \$19,200 cumulatively in vehicle expense, heavy equipment, repairs & maintenance and supplies & equipment.

• We were under budget by \$15,000 in office & other administrative expenses, and over budget in collections expenses by \$10,600.

In summary, these items reflect some of the issues that we have to deal with in our 2008 budget.

3. Non-Recurring Expense Charge (NRC)

• NRC collections as of year end 2007 totaled \$240,200, or 73% of our paying members. In January our collection percentage increased to 75%.

• One third of the NRC funds are in Operations to pay lawsuit expenses, one third goes in the Capital Reserve Fund, and one third has been used to set up a Contingency Fund.

• Separate bank accounts have been set up for each of the two Funds, and these funds are shown as assets on our Balance Sheet.

• As planned, we used the Contingency Fund to meet our short term year end cash flow needs.

• During December Operations used \$64,000 from the Contingency Fund to support operations cash flow requirements.

4. Financial Reports

All of our financial statements and other reports are available on the web site, and those without computer access may request a copy from the office.

5. Budget Deficit for 2008

The projected budget deficit for 2008 is \$159,255. A balanced budget for 2008 will require owner approval of an increase of \$48.26 under the present flat fee schedule for a 2008 total of \$196.73 per owner. Under the provisions of the proposed settlement with a flat fee plus acreage fee the 5 acre owner would pay \$172.00 and the 20 acre owner would pay \$184.00 so both categories of owner would pay less under the settlement than under the present flat fee per owner.

POATRI BALLOT SUMMARY: 2008 DIRECTORS ELECTION

Total Property Owner Accounts	4903
Total Owner Accounts in Good Standing	3377
Total Ballots Received	774
Total Valid Ballots	755
"Yes" – Quorum for Members Meeting	283
"No" – Quorum for Members Meeting	472

Candidates

Dick Willauer	414	Richard Whitebear	352
Elizabeth Demetri	405	John Hillje	350
Frank Oxsheer	363	Sam Sledge	325

And six write-in candidates received 1 vote each

SUCCESSION PLANNING & MANAGEMENT REORGANIZATION TASK FORCE REPORT

BY E. J. BREWSTER, 2007 CHAIR

The good news is that two people chose to submit resumes for the Interim Manager/General Manager position after reading the latest newsletter.

The bad news is that both people are apparently looking

for a job in the near future. I have left a telephone message to both people thanking them for their interest and informing them that we do not have either position available at the present time. I also informed them that

we would keep their information on file for use when one of the positions is available. No further activity of this Task Force is planned at this time.

POATRI CASH FINANCIAL INFORMATION SUMMARY FOR THE 12 MONTHS ENDED DECEMBER 31, 2007

	<u>Cash Position</u>	<u>Comments & Supporting Information</u>
Cash Balance Jan. 1, 2007	75,189	2007 assessments collected in Dec., less \$6,128 used for 2006 expenses
Cash Collected Jan. 1- Dec. 31	<u>926, 955</u>	Includes Assessments, Resort, NRC, Volunteer Assessments, Tax Sales Net of NRC revenues to Capital Reserve & Contingency Funds \$160, 142
LESS		
Paid Operating Expenses	707,846	Total expenses are 6% below budget; Resort expenses 10% below budget
Assets Purchased	36,638	Telephone system, Resort, TRIPOD, vehicle improvements, housing
Debt Service	166,063	Road graders, well property, trucks, 2006 LOC, final TRIPOD dev.
Lawsuit-related Expenses	67,558	Includes 2006 expense repaid to Operations, plus 2007 expense
Net change in Accounts Payable	<u>16,384</u> 7,655	Operations Cash as of Dec. 31, 2007
Cash balance Dec. 31, 2007	101,107	
LESS	80,146	Capital Reserve Fund
	<u>13,306</u>	Contingency Fund Cash, net of \$64,042 loan to Operations
	7,655	Operations Cash, includes \$64,042 loan from Contingency Fund True Cash Flow need= \$56,387.
<u>POATRI Financial Information</u>		<u>Comments & Supporting Information</u>
Assessment Receivables Balance		
Current (2008) & past due:	1,135,023	2008 assessment billed = \$632,938; \$1,188 collected as of YE \$503,283 are past due receivables, including \$209,716 from 2007 Assessment Year
NRC Receivables balance:	232,074	\$494,300 NRC billed; \$240,213 cash, \$22,013 adj. to transfers
SIA Receivables balance:	46,155	Uncollected balance of 2005 SIA charge
Provision for Doubtful Accounts		
Past due assessments:	<u>(177,202)</u>	Adjustments for uncollectible and slow pay accounts
Total Assessment/NRC/SIA Receivables	1,236,050	

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.

BALANCING THE 2008 BUDGET

BY DON BACKER, TREASURER

When the Board of Directors approved the 2008 budget, it was fully our intention to propose to the membership an amendment to the TRMA to increase fees to cover the projected deficit. This action was precluded by the proposal of a settled lawsuit which would address this issue, thus no amendment has been sent to the members at this time.

Although it was hoped that the proposed settlement would have been approved by the January 26th meeting, that did not turn out to be the case. As we await a final decision from the Court, we are prepared to take one of the follow-

ing steps to ensure a 2008 balanced budget:

If the judge approves the settlement but directs us to get property owner approval, we will send out a ballot for property owners to approve or disapprove the proposed amended TRMA, including the new fee structure of \$168 plus \$.80 per acre. If approved, this would get us very close to a balance budget, with a shortfall of only \$16,800.

If property owners do not approve of the proposed amended TRMA, or if the judge does not approve the settlement, we must then request a property owner

approved assessment increase of \$48.26 under the existing TRMA flat fee structure. This would achieve a balanced budget and enable us to maintain the current level of services.

If neither of the above options are approved, we will be faced with very difficult decisions to cut enough services to eliminate the \$159,255 shortfall in our 2008 budget. This will affect services across the board including reducing the amount and type of road maintenance we can provide. We will not know if we need to take this drastic action until we complete the two steps outlined above.

LODGE REVIEW: A STATEMENT

BY DON BACKER, POATRI DIRECTOR, TREASURER, CHAIR OF BUDGET & FINANCE, PROPERTY OWNER

The Lodge, Resort Operation, Hospitality Operation – call it what you will – is an important Terlingua Ranch and POATRI asset.

It was always intended to provide essential services for our property owners. Much emphasis has been placed on either making a profit or closing the facility. These reactions are not realistic.

Rather, we should continue to improve cash flow and to work through the Strategic Planning Task Force to provide POATRI members all relevant information necessary to make critical decisions.

Lodge Assets: 32 guest rooms, restaurant, meeting facility, 8 full service RV sites, 12 RV sites with water & electric, campsites, pool, bath house, wells, water sales, laundromat, cold storage, shooting range, patio with cooking

facilities, runway facilities.

Many of these facilities were never intended for profit. Others were to merely cover the cost of operation. The existence of this facility is part of a 35-year culture that provides significant community value and essential services.

Though not making a profit, in 2007 the Lodge provided a positive cash flow of \$38,400 to POATRI as a whole. With a deficit of \$42,613, well below the projected \$82,700, the cost per owner was \$12.90 or 9% of their annual assessment of \$145.00. The remaining 91% of our assessment went to road maintenance and owner service operations.

Was the Lodge established by the developer to be a profit making enterprise? No.

Can we make it efficient and more valuable? Yes.

We each purchased our land

subject to a Maintenance Association document that very clearly states: "Maintenance Funds shall be used for developing, improving, and maintaining recreational facilities in Terlingua Ranch including a Lodge facility available for use solely or in conjunction with others by owners of tracts of the subject property."

Notice that it says "Maintenance Funds shall be used...." The Lodge was not designed nor intended to operate solely on its own income.

The Lodge facility is fulfilling its intended purpose at a very minimal cost to property owners and these services will continue to improve under the scrutiny of the Board, the Strategic Planning Task Force, and Ranch Management.

The options should not be limited to PROFIT or CLOSE.

OPERATIONS REPORT FOR THE 4TH QTR. 2007

BY ALIDA LORIO, GENERAL MANAGER

Financial: Cash flow shortage of \$56,400 at period end, despite virtually no pre-collection of 2008 billed assessments; overall expenses 6% below budget despite increases in specific categories such as legal expense, heavy equipment & accounts collections; assessment side expenses below budget 2.5%, resort side expenses below budget 10%

Road Maintenance: Major repair projects are ongoing as budget

permits; regular maintenance rotation maintained to cover all areas of the Ranch; Solitario worked thoroughly and Cedar Springs and North Corazones areas touched up prior to hunt season.

Resort: Ended the year 2% over 2006 in occupancy ratios; income was \$8,000 over budget and \$7,000 over 2006; net loss was \$40,000 less than projected, contributing to a positive cash flow for the Association.

Significant personnel issues:

Having difficulty finding qualified motor grader operator and so are short staffed on road crew; hired resort manager to oversee all lodge activities (See related story below).

Other: We are hopeful that a finalized settlement to the pending lawsuit will allow us all to get back to the important work of operating the Association, planning for the future.

SUPPLEMENTAL OPERATIONS REPORT: CHANGES AT THE RESORT

BY ALIDA LORIO, GENERAL MANAGER

The BackStory

During 2005, in conjunction with the newly developed Strategic Plan for POATRI, a management task force was formed to research opinion and facts among owners regarding the future of the resort facility owned and operated by the Association. The results led us to state, in a report to the Board at the October, 2005 meeting, the following:

"... we can say with certainty that a majority of Terlingua Ranch owners:

- **do not** oppose supporting the resort operation with assessments, **within limits**

- **do** support non-owner visitation, **within limits**

- **do** fear uncontrolled commercialization of Terlingua Ranch Lodge and Terlingua Ranch itself

- **do** recognize the resort operation as an asset, but at the same

time see the road system as a far more important asset

- while the 'bottom line' is important in a business venture, an organization such as ours has a primary duty to serve the well-being of a majority of its members ..."

During the years 2006 and 2007 we have concentrated our efforts on cost reduction while at the same time making improvements in the property to enhance the attractiveness of the facility for our visitors. We've seen use by property owners increase. We have reduced the cost of the resort facility against owner assessments to less than 12%, thus concentrating our owner supplied funding on property service and road maintenance.

The FutureStory

With the expense picture as much in control as possible, we must concentrate our efforts in

making the facility more appealing to our owner and non-owner visitors alike. To that end, we now employ a full-time supervisor for the facility whose only duty is to improve our hospitality operation revenues and service to our owners.

Larry Staton brings us a solid background in sales and marketing, a deep love for Terlingua Ranch and an enthusiastic attitude about the potential of the resort operation that bodes well for the future of Terlingua Ranch Lodge.

Just as Doug Fagg has made a tremendous difference in the improved quality of our road maintenance operation, Larry is committed to a Terlingua Ranch Lodge which serves Terlingua Ranch owners best by maximizing the potential of the resort within our stated Strategic Plan goals.

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.

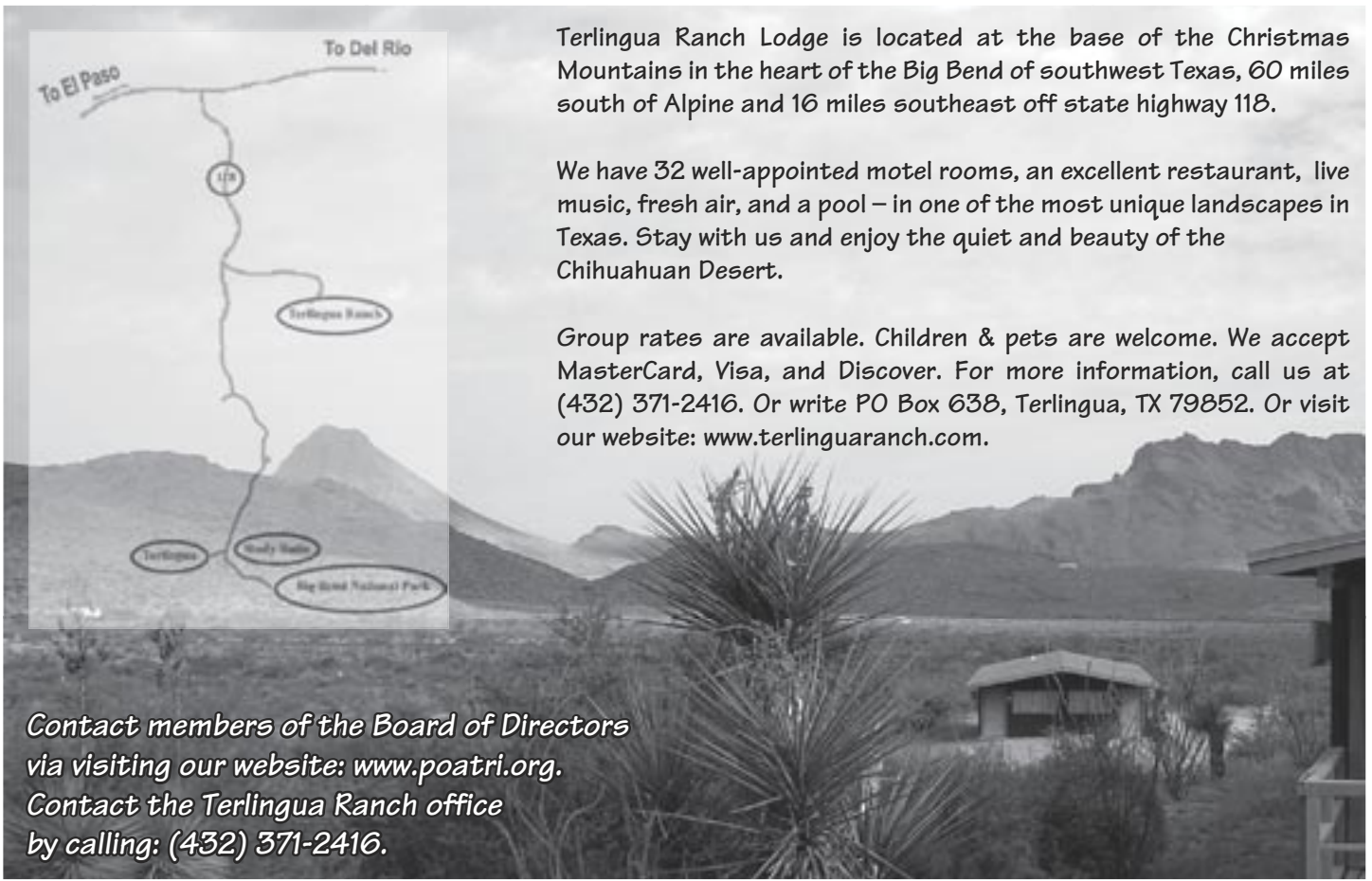
Thanks! propertyinfo@terlinguaranch.com 432 371 3146

PO Box 638

TERLINGUA TEXAS 79852



RETURN SERVICE REQUESTED.



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.poatri.org.
Contact the Terlingua Ranch office
by calling: (432) 371-2416.*