

AROUND THE RANCH

MAY 2008

PROPERTY OWNERS ASSOCIATION OF TERLINGUA RANCH, INC.

PO Box 638 TERLINGUA TEXAS 79852

(432) 371-2416

WWW.TERLINGUARANCH.COM

WWW.POATRI.ORG

EMAIL: OPSMGR@TERLINGUARANCH.COM

MESSAGE FROM THE PRESIDENT

BY ELIZABETH (LIZ) DEMETRI

The April Board meeting and workshop were very productive and resulted in several important and critical decisions being made.

First, since we were short two directors due to resignations, I am happy to welcome Clara Willis and Diana Wysocki to the Board. They both bring previous experiences that will be helpful. Clara served on the Board previously and Diana is serving on the Budget & Finance Committee.

As promised, this Board has been working diligently on correcting policies and procedures as needed. Since many property owners had expressed the desire for a private vote and to encourage greater participation, the Board passed a new balloting process

which will ensure a private vote. The Issue Resolution Procedure guidelines have been replaced with a simpler and easier-to-follow procedure.

A clarification of Article 6.01 and 6.02 has been passed and a resolution allowing the non-payment of the 2005 SIA or the 2007 NRC to not affect the MIGS standing through the 2008 assessment year.

Most importantly, with the dismissal of the lawsuit that has been impeding progress for eighteen months, the Board has approved asking the membership to accept the negotiated Terlingua Ranch Maintenance Association document presented to the owners as part of the now-dismissed settlement agreement. A ballot along with a detailed

explanation of how important it is to have the new TRMA approved, will be sent out for your vote within the next few weeks. Please take the time to read this and make your wishes known by voting.

It is vital that all property owners read and understand Treasurer Don Backer's financial report. The status of the Ranch is at stake. Unless we generate the funds needed to make improvements and maintain what the Ranch has, many essential services must be cut. We all love the Ranch and want to see it continue and thrive. This is just one of the many tough decisions to be made.

The Board will continue to focus on long-term planning to ensure a secure future for Terlingua Ranch.

NEXT MEETING OF POATRI'S BOARD OF DIRECTORS:

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

SUMMARY OF RESOLUTIONS PRESENTED AT THE APRIL 2008 BOARD OF DIRECTORS MEETING

BY TOM DURHAM, SECRETARY

Clara Willis and Diana Wysocki were seated as Directors to fill vacancies left by recent resignations. Six Directors were present and certified. Absent were Directors Ramey, Miller and Oxsheer. The following resolutions were read into the record:

- That the current Article 6.0 and Article 6.02 be replaced in their entirety with a revised Article 6.01 and 6.02. Motion by Durham, second by Willis. 6 ayes, 0 nays.

- That the Issue Resolution Procedure in the current Board of Directors Policies & Procedures manual be replaced in its entirety with a revised edition as presented to the Board. Motion by Willauer, second

by Durham. 6 ayes, 0 nays.

- That the Board of Directors of POATRI place before the Members of the Terlingua Ranch Maintenance Association (TRMA), the TRMA document negotiated between parties of the recently dismissed suit before the Brazoria District Court which was presented to owners of the now dismissed Negotiated Settlement Agreement, and that the only material revision to said negotiated TRMA document presented to the members shall be in Section, I, which states an "...annual flat fee assessment of \$245.00 per owner is hereby imposed..." Motion by Willauer, second by Backer. 5 ayes, 0

nays, 1 abstain (Willis).

- That the current Election Process be replaced with a new revised edition as presented to the Board. Motion by Demetri, second by Wysocki. 6 ayes, 0 nays.

- That Members of POATRI who are current in payment of annual assessments shall remain Members in Good Standing irrespective of non-payment of the 2005 SIA or the 2007 NRC through any and all elections that may be held during the 2008 assessment year which ends with the charging of the 2009 annual assessment. Motion by Backer, second by Willauer. 6 ayes, 0 nays.

TERLINGUA RANCH SUMMER VACATION SPECIAL for Property Owners

June, July, August: \$39.95 per night!*
2 adults; children under 12 stay free
Includes property owner discount
Pet fees not waived

*Must be a Terlingua Ranch property owner in good standing



Let us help book your summer fun**

🐾 Horseback riding 🐾 Rafting the Rio Grande 🐾 Jeep tours

**All tours are booked through outside sources. These companies work independently of Terlingua Ranch and the POA.

Call 432-371-2416 or email frontdesk@terlinguaranch.com

LAWSUIT UPDATE

BY RUDY CANO, POATRI COUNSEL

On February 25, 2008, the Plaintiffs voluntarily filed a Joint Motion for Non-suit of Cause No. 39329; *Frank Truksa, et al. v. Tom Durham, et al.*; in the 412th Judicial District Court of Brazoria County, Texas. A motion for non-suit is a motion whereby the party filing the motion asks the court to dismiss the lawsuit. The Order dismissing the lawsuit in its entirety was signed by Judge Denman on February 29, 2008 and the lawsuit is over.

The Plaintiffs filed for non-suit, according to their motion, because they “no longer wish to prosecute this suit because they believe that further prosecution of this lawsuit would not be in the best interests of **Plaintiffs.**” [Emphasis added] While the Plaintiffs exercised their legal right to dismiss the lawsuit, the stated reason for doing so indicates the Plaintiffs dismissed the lawsuit to serve their own interests, and not those of POATRI and Terlingua Ranch.

At the time of the non-suit, a proposed agreed order was before all the attorneys in the case. All attorneys, except the attorney for the Plaintiff Andrew Guill, had already signed the order. The proposed order would have required POATRI

to submit the negotiated Terlingua Ranch Maintenance Association agreement (“TRMA”) to a vote of the Membership for approval or disapproval. However, since not all the parties/attorneys agreed to the proposed order, a court-supervised election could not be held.

Rather than have the negotiated TRMA be put to a vote of the membership pursuant to the court’s order, the Plaintiffs apparently chose to non-suit/dismiss the lawsuit because allowing the members to vote on the negotiated TRMA in an election subject to the court’s supervision “would not be in the best interests of Plaintiffs.”

The lawsuit is over. The TRMA and Bylaws which were proposed as part of the settlement are not in effect. The negotiated TRMA and Bylaws, products of countless hours of negotiation and review by multiple attorneys, had one objective: to update the TRMA and Bylaws for the benefit of all POATRI members. The exhaustive process necessary to tailor these documents was undertaken by the primary parties, negotiating in good faith, to allow POATRI to survive and prosper, while at the same time addressing the issues and concerns of both sides of the lawsuit.

Since the proposed settlement fell through, the Board of Directors (“Board”) has voted to put the negotiated TRMA before the POATRI Membership for a vote. The Board has also, following extensive review and discussion at the April 2008 meetings, proposed that POATRI maintain a flat fee per owner annual assessment. Since the matter is no longer subject to the court’s jurisdiction, because there is no lawsuit, this process of reviewing and, when prudent, revising the negotiated TRMA is exactly what the Directors are required to do in order to fulfill their collective duties to POATRI.

Except for the annual assessment structure, no substantive changes have been made to the negotiated TRMA to be voted on by the membership. The membership will now have the opportunity to vote to approve the negotiated TRMA pursuant to the Board’s action, since the opportunity to have the election conducted under the court’s supervision was denied when the Plaintiffs chose to non-suit the lawsuit. Under either scenario, it is the Membership which will ultimately decide this most important issue and the future of Terlingua Ranch.

Notifying POATRI and the Brewster County Tax Assessor of changes in address is the responsibility of the owner.

BREWSTER COUNTY bills property taxes in early November each year. Property taxes are due no later than January 31st of the following year. If you do not receive your tax notice, it is **your** responsibility to contact the tax office. Phone: (432) 837-2214. Open Monday-Friday, 8 am – Noon and 1 pm – 5 pm.

POATRI bills annual assessments in early December of each year for the upcoming year. Annual assessments are due no later than March 31st of the assessment year. If you do not receive your annual assessment statement, it is **your** responsibility to contact the POATRI office. Phone: (432) 371-3146 or (432) 371-2416. Office hours are variable. Leave a message on voicemail with a call back number.

Non-receipt of either a tax bill or an assessment statement does not relieve the owner of the obligation to pay. Accumulation of delinquent taxes and/or assessments can lead to foreclosure either by Brewster County or by POATRI.

MEDIA COMMITTEE REPORT

BY DICK WILLAUER, CHAIR

After getting off to a fairly slow start, the committee had several discussions via email concerning our charge, the history behind the committee and its function.

It seems we have two primary responsibilities: the oversight of the publication of the newsletter and the POATRI web site. It appears that, due in part to the voluntary nature of the committee and the practical logistics, previous committees have been primarily advisory, although individual committee members have made significant contributions in the development of changes to either the newsletter or the web site in the past. Although this committee has not yet developed formal recommendations,

some general themes have surfaced and specific ideas have been put forward by committee members.

Web site: This received the least amount of discussion and there was no consensus about the need for making any changes in the format of the site. The primary points centered on the issues of keeping the site current and up to date and including additional links or topics of interest. A key point that will need to be addressed in the future is input and maintenance of the site.

Newsletter: There was significantly more discussion and input concerning the newsletter. The first area centered around the content and how to make it more appealing to readers. It was recognized

that recently much of the space was taken up with information relating to the lawsuit, but there was support for including additional information relating to some of the things that drew many of the property owners to Terlingua Ranch in the first place. It was also felt that the use of pictures would increase interest. The second general area centered on the production of the letter including the cost and ways to generate additional revenue to offset that cost. This is an area that needs discussion with the Board and the General Manager. Hopefully during the next quarter we will have more time to pursue both of these goals.

AUDIT COMMITTEE REPORT

BY CLARA WILLIS, CHAIR

The Terlingua Ranch audit committee has been meeting regularly. The committee met with Joe Torres, the POATRI auditor, to discuss the function and responsibilities of the committee. They will meet with him again after the 2007 audit is complete. In addition, committee members have been conducting cash-handling audits, reconciling the bank accounts and working on the committee description, as well as starting to put together a long term oversight plan of the major corporate assets. Audits continue. No exceptions noted.

Editor's Note: Due to Clara Willis' appointment to the Board, she has resigned from the Audit Committee. New Committee Chair is Marbert Moore. Committee members are Dori Ramsay and John Hillje.

BUDGET & FINANCE COMMITTEE REPORT

BY DON BACKER, CHAIR

The 2009 Budget Process was begun in March. BFC members were provided with copies of all financial reports, budget work sheets, and historical budget information,

The BFC met on Thursday, April 24th to review all information relating to the Budget Process, receive and discuss current year information on revenue and expenses from Operations, and establish a schedule to develop the 2009 Budget for presentation to the Board at the July meeting, as required in our Policies and Procedures.

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.

ELECTION PROCEDURE REVISED TO SECURE PRIVACY

BY LIZ DEMETRI, TASK FORCE CHAIR

The revisions to the current Election Procedure which were discussed and voted upon favorably at the April quarterly meeting include the following:

- A fixed content list of the owners eligible to vote will be posted on the owner web site - www.poatri.org.
- A two part ballot will be used with a randomly assigned ballot number applied to each of the two parts.
- The name identifier portion of the ballot will be separated from the vote portion by the Independent Vote Counter (IVC) and sealed. These will not be available for public inspection.
- The election will be tabulated using only the vote portion of the ballot. Only the vote portion of the ballot will be returned to the POATRI offices.
- The electronic copy of the official Voters List and the election tabulation program will be created directly to a removable disk which will be delivered to the IVC by a Sheriff's deputy. The removable disk will be sealed by the IVC. It will not be available for public inspection, nor will it be returned to the POATRI offices.
- The Ranch office will retain a fixed content copy of the ballots for the purpose of sending copies to owners who do not receive their ballots through the mail. This fixed content copy shall be deleted from the Ranch computers by a designated Director or Board designee prior to the close of the election.
- Election reports will be created using only the randomly assigned ballot number. No owner identifier information will be provided in these reports.
- Only the vote portion of the ballot will be available for review following any election.
- The name identifier portion of the ballot and the removable disk used for tabulation of the election will be delivered by the IVC to the POATRI corporate counsel, who will retain the sealed information for a period of three years.
- A list by name of those owners who actually voted will be posted on the web site after each election. This list will not include their vote, simply the fact that a ballot was received.

These changes to the Election Procedure are effective immediately. The entire Election Procedure is now part of the Board Policies & Procedures Manual and may be viewed on line on www.poatri.org.

NRC REPORT

BY ALIDA LORIO, GENERAL MANAGER

At the close of the 1st Quarter 2008 books, we began dividing NRC collections solely between the Capital Reserve Fund and the Contingency Fund. Additionally, excess funds retained by Operations for repayment of lawsuit expenses were deposited to the two funds during April.

Through March 31, 2008 the NRC allocations to operations is as follows:

2006/2007 lawsuit expenses:	\$67,557.22
2008 lawsuit expenses:	\$ 8,043.59
Apr-Dec. E&O Ins. due to suit	<u>\$ 4,231.26</u>
Total	\$79,832.07

Total NRC allocated to Ops	\$85,161.04
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Although non-payment of the 2007 NRC and 2005 SIA will not affect a Members Good Standing status at least through the end of the 2008 assessment year, these charges, if unpaid, will remain on an owners account. As we continue to collect NRC payments these funds will be divided between the Contingency Fund and the Capital Reserve Fund per the Board resolution of 2007.

TREASURER'S REPORT FOR THE FIRST QUARTER 2008

BY DON BACKER, TREASURER

Revenue – Cash Collections and Performance

First Quarter 2008 we collected \$412,286, which includes \$298,666 from current and prior year Assessments, \$6,208 from Auction Proceeds, \$25,584 from the NRC, \$2,117 in volunteer payments from Exempt owners, and \$79,711 in Resort revenues.

Resort revenue for the first quarter was \$6,000 over last year. Resort expenses were below budget for the quarter by \$9,000, with a net operating loss of \$11,198; well below the projected shortfall of \$29,552. Again, the expense reduction was due to being short staffed.

Total net operating revenues for POATRI during the first quarter achieved a Net Operating Revenues

to Capital Reserve of \$183,109.

There are three primary reasons for this performance. First, we receive the largest share of assessment collections in Q1 as they are due by March 31; second, we held back on spending due to the uncertainty of the lawsuit; and third, we continue to have limited resources in the local area to fill the open positions that we have. Because of our collections schedule this net “profit” will be applied toward continuing expenses through the remainder of the assessment year.

POATRI Expenses

Assessment side operating expenses were \$10,414 under budget.

Most expense categories were either on budget or slightly under

budget, with the exception of Payroll and Professional Fees. Payroll was \$30,000 under budget primarily for the two reasons mentioned above. Professional Fees were over budget by \$25,000 and included the following expenses: \$7,000 for the 2007 audit completed and billed in Q1 this year, additional professional fees of \$700 from election canvassing and extra ballot counting expense, \$3,500 for legal fees related to gating issues. Legal counsel fees for all other matters were \$24,300.

Operations borrowed \$64,000 from the Contingency Fund to support Operations cash flow requirements for 3rd and 4th quarters 2007. This was repaid to the Contingency Fund during the first quarter 2008.

COMMENTS ON THE 2008 BUDGET

BY DON BACKER, TREASURER

The 2008 budget shortfall is \$159,255, which is the difference between the approved budget for 2008 and the revenue generated from Assessments, adjusted for 2.4% CPI. More than half of this shortfall is the result of reductions in revenue rather than increases in expenses.

In 2007 we collected approximately \$85,000 in prior year assessments. This greatly reduced the remaining balance of collectible prior year assessments and caused us to limit our forecast for prior year collections for 2008 to \$25,000. As a result \$60,000 of the budget shortfall is caused by the positive action of reducing receivables for prior year assessments. As our aggressive collections procedures

continue to improve our outstanding receivables picture, we can expect further reductions in revenues from delinquent accounts.

Another \$29,000 of the shortfall is caused by the reduction in the number of property owners paying fees from 3,300 in 2007 to 3,153 estimated for 2008. Overall, our membership has fluctuated between 4800 and 5000 over the last three years. Prudent financial forecasting requires that we be conservative in our projections, thus the reduction in the estimated number of owners who will pay within the billed assessment year.

The net effect is that, of the \$159,000 budget shortfall, \$89,000 is caused by these two revenue factors,

and the remaining \$70,000 is caused by increases in expenses – primarily wages, legal fees, fuel costs, equipment parts costs and building materials costs.

The proposed lawsuit settlement included an Assessment increase, but because the Plaintiffs non-suited their action, no settlement agreement was approved either by the court or the owners.

To balance our budget for 2008 we must ask the Membership to approve an assessment increase. The alternative is to make the difficult decisions necessary to cut enough services to eliminate the \$159,255 shortfall in our 2008 budget. This will affect services in all phases of our operations.

OPERATIONS REPORT FOR THE FIRST QUARTER 2008

BY ALIDA LORIO, GENERAL MANAGER

• **Financial:** \$320,428 in current & past assessments, auction proceeds, NRC revenues and volunteer payments; \$79,711 in resort revenues. Assessment collections are 10% behind 2007 for the same period. Resort revenues are 6% higher than 1st quarter 2007. Closed the period with \$251,488 in cash in all accounts, with a total of \$173,425 of that in contingency and capital reserve

funds, leaving the balance of \$78,063 for operating needs.

• **Road Maintenance:** Due to the dry weather we have been concentrating on repair projects such as badly eroded hills and washes. Regular area maintenance has been suspended until we get adequate moisture. All areas of the Ranch have been worked at least once during the last 12 months.

• **Resort:** Occupancy during the 1st quarter was up 7% over 1st quarter 2007, resulting in an increase in gross profit of 8%. However, higher costs caused an increase in net loss of \$5,000 for the period.

• **Significant personnel issues:** Staffing continues to be problematic as we face the issues surrounding demand for higher wages.

POATRI Cash Financial Information Summary for the 12 months ended March 31, 2008

	POATRI	
	<u>Cash Position</u>	<u>Comments & Supporting Information</u>
Cash Balance Jan 1, 2008	101,175	Includes \$1,188 2008 Assessments collected in December, Capital Reserve & Contingency Fund Balances at year end
Cash collected 1/1-3/31	<u>400,139</u>	Includes Assessments, Resort, NRC, Volunteer Assessments, Tax Sales
LESS:		
Paid Operating Expenses	205,735	Balance Sheet expenses less Lawsuit expenses
Assets Purchased	9,785	Resort Improvements
Debt Service	79,437	Road Graders, Trucks, Repay Contingency Fund,
Lawsuit Related Expense	8,044	
Net Change In Accounts Payable	<u>120,250</u>	Includes Financed Ins. Deposits, Operating Expenses, Payroll/Occupancy/ Sales Tax Payable, Property Tax, 2007 TRIPOD Improvements
	78,063	Operations Cash as of 03/31/08
Cash Balance March 31, 2008	251,488	
LESS:	88,135	Capital Reserve Fund Cash
	<u>85,290</u>	Contingency Fund Cash
	78,063	Operations Cash as of 03/31/08

<u>POATRI Financial Information</u>		<u>Comments and Supporting Information</u>
TRIPOD Assessment Receivables Balance:		
Current (2008) & Past Due	864,279	2008 Assessment Billed = \$632,928; \$299,844 collected as of 3/31/08, including Dec. 07 collections.
NRC Receivables Balance:	209,440	2008 Receivables = \$383,308; Past Due Receivables = \$480,971
SIA Receivables Balance:	45,161	\$494,300 NRC Billed – \$260,797 cash; \$24,063 adj. to transfers
	<u>1,118,880</u>	Uncollected balance of 2005 SIA charge
Accounting Provision for Doubtful Accounts:	(177,488)	Total TRIPOD Receivables less 2005 acct. write off
Total TRIPOD Assessment/NRC/SIA Receivables	941,392	Accounting adjustments for uncollectible & slow pay accts.
April Receipts credited as paid 3/31/08	<u>(35,206)</u>	TRIPOD less POATRI Balance sheet doubtful accounts
Assessment/NRC/SIA Receivables 3/31/08	906,186	POATRI Balance Sheet 3/31/08

We will continue to improve this report and present it in the newsletter. A complete set of financial statements are produced every quarter and made available to you at www.poatri.org.

SUCCESSION PLANNING TASK FORCE REPORT

BY T.J. RAMEY, CHAIR

The success of POATRI depends greatly on the availability of a competent General Manager and a staff of key employees. A good General Manager is a valuable asset of the corporation and it is the fiduciary duty of the Board of Directors to fill the position of General Manager with the individual who will operate POATRI in the best interests of the property owners and thus in the best interests of the corporation.

The Board of Directors should have in place a Succession Plan that describes how the position of General Manager will be filled should the current GM vacate the position for any reason. Once hired, one of the duties of the General Manager should be to maintain a staff of key employees to run the day-to-day operations of Terlingua Ranch.

As the Board of Directors is not involved with staffing, the

POATRI Succession Plan should be developed in two parts: 1) a plan outlining how the Board of Directors hires a new General Manager, and 2) the Board should direct the General Manager to maintain a staff of trained employees capable of running the ranch in the absence of the General Manager. Ideally, one of these employees would be employed as an "Assistant to the General Manager" and have the training and authority to act on behalf of the General Manager when the General Manager is absent for any reason. This "Assistant to the General Manager" should also be capable of acting as an Interim General Manager in the short term.

There is much work to be done before we develop a strategy for hiring a General Manager. In the meantime, while this is being studied and hopefully implemented, we need to encourage our current

General Manager to organize in such a way to provide for an "Assistant to the General Manager".

Currently, our key supervisory employees include a road supervisor and a resort supervisor, with our General Manager supervising the administrative functions. According to Alida, if we organize and train properly, an Assistant to the General Manager could concentrate on the administrative functions such as property owner service and accounting.

It is this committee's opinion that the above general analysis should be expanded to a workable plan to solve the potential problem of replacing our general manager on an interim basis. The committee also recommends continued work on a procedure for employing a General Manager should the position become vacant.

NEW TRMA ELECTION DEADLINES

May 24, 2008 – last day to make 2008 assessment payment to retain Good Standing status. A quarterly payment of \$37.12 is the minimum payment necessary. Payment must be received in the POATRI office no later than 5:00 pm, Friday, May 24th.

May 25, 2008 – TRMA Election Voters List created under the new Election Procedure guidelines. A printed copy of the Voters List will be available at the Ranch office for review. A list of the names of eligible voters for this election will be posted on the owner web site, www.poatri.org.

June 3, 2008 – TRMA Election packet mailed to all eligible voters. Be sure the Ranch office has your correct mailing address so you can participate. If your name is on the posted eligible voters list and you do not receive a ballot, contact the POATRI office at opsmgr@terlinguaranch.com.

July 23, 2008 – Election date closing. Results of the election to be announced at the July 26th Board of Directors meeting.

FROM THE DESK OF THE GENERAL MANAGER

BY ALIDA LORIO, GENERAL MANAGER

With the upcoming election to approve a new Terlingua Ranch Maintenance Association document, we find ourselves once again at a turning point to determine the future of our owner community. There have been many such turning points during the last decade.

We've accomplished a great deal, and, as occurs often with change, many of those accomplishments appear now to have been double-edged swords.

Ten years ago the members of this Association gained an equality of voting rights. No longer were votes "stacked" in favor of the large landowners. At the time the change was seen by many as a way to give equal voice to every owner regarding the future of Terlingua Ranch.

Five years later, that equal voice chose not only to raise assessments for the first time in 20 years, that voice chose to acknowledge the equality of services that could be expected by each owner. The message of the approval of the flat fee owner assessment was "equal access, equal ser-

vices, equal vote."

The new assessment level allowed us the revenues to start on the long road to recovery from 20 years of underfunding. Assets and equipment that had been allowed to deteriorate were repaired or replaced; improvements and repairs to the road system, to the resort facility and to the administrative assistance we are able to provide our owners were made. Property values rose as services improved and POATRI and others worked to clear "deadbeat" accounts and return property to the assessment pool.

The other edge of the economic sword is that those services and values which have been greatly improved over the last five years cannot be continued without meeting the economic challenges of today. At a time when we are all faced with rising costs of living, it is difficult to ask owners to dig deeper, but ask we must.

In the TRMA election the Board of Directors is including a 65% increase in the annual Owner Assessment to cover increases in costs that directly affect our ability to provide

the level of services we have enjoyed over the last five years.

We will use that 65% increase to cover the 286% increase in off road diesel, the 210% increase in gasoline and the 236% increase in truck diesel costs as well as the other operating expenses which have been affected by the fuel economy over the last four years. We will use that 65% to meet the payroll challenges imposed by a 141% increase in minimum wage requirements, and to support our ability to make continued improvements in the equipment and assets which contribute to the level of services available to our members and the value of your property in Terlingua Ranch.

We can vote to sustain and improve the value of our property or we can reject the new TRMA document, with its long term benefits, to gain the short term satisfaction of "saving" \$100 this year. Think carefully before you "vote your pocketbook." That "savings" may, in the long run, be more costly than you might wish.





REVISITING THE CURRENT TRMA ASSESSMENT STRUCTURE VERSUS THE OWNER FEE PLUS ACREAGE METHOD

During the negotiated settlement proceedings, a \$168 owner fee plus 80 cents per acre was proposed to the court to replace the Owner Fee assessment method selected by a 63% majority vote in the 2005 TRMA amendment ballot. It seems appropriate to revisit the issue to help property owners understand why the April decision of the Board was to propose retaining Owner Fee assessment method.

Under the Owner Fee method the critical factor is simply the number of paying property owner accounts. Each account pays the same assessment for equal access to the road system, the resort facility and property owner services - and equal voting rights in any POATRI election.

However, in considering the

Owner Fee plus Acreage method the critical factor becomes the distribution of land ownership. The difference in assessment between "small" and "large" owners will depend on how many Members are at the high end of the acreage scale to fund lower payments for those at the lower end of the acreage scale. Additionally, there is a crossover point where the assessment fee is the same with either method. That crossover point for Terlingua Ranch property owners is currently 30 acres.

Approximately 78% of our property owners hold title to 30 acres or less. Twenty-two percent own from 35 to 1000+ acres. This means that under a Base plus Acreage Fee method, 22% of owners must fund any lower fees paid by the 78% small acreage owners.

With the settlement fee plus acreage structure the 5 to 30 acre owners would have paid an acreage fee ranging from 2% to 19% of the base. Owners of more than 30 acres would have paid acreage fees, in a rapidly escalating ratio, from 20% of the base to 200%, 300% and for some, five to ten times the proposed \$168 owner fee.

At this level the question of "fairness" takes on an entirely different meaning. It is this disparity on both ends of the scale which led to the Board's decision to ask all owners to agree to retain the per owner flat fee assessment. As long as all owners enjoy equal privilege in voting and equal access to services as they do today, the question of fairness of fees can only be accomplished through a per owner flat fee.

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

NEGOTIATED TRMA TO BE PUT TO MEMBERSHIP VOTE

POATRI BOARD OF DIRECTORS ENCOURAGES OWNER PARTICIPATION IN UPCOMING ELECTIONS

During the recent lawsuit both sides worked together to develop a new Terlingua Ranch Maintenance Association (TRMA) document with significant improvements. Our current TRMA was written over 30 years ago and the terms favored the Developer. The negotiated TRMA has been updated to deal with the issues facing Terlingua Ranch today. The Board has called an election to put the negotiated TRMA to a vote of the Membership. The following summarizes some of the key points from the negotiated TRMA document that will be the subject of that election.

Benefits of the negotiated Terlingua Ranch Maintenance Agreement (TRMA):

- The negotiated TRMA limits or “caps” the annual assessment increase that can be implemented by the Board (including the Cost of Living adjustment) to a total of 10% in any one year, and to a cumulative total of 25% over any consecutive period of five years.
- The Board’s authority to implement Special Income Assessments (SIA) is specifically defined and the amount is limited to 20% of the previous year’s assessment in any year. In addition, the purpose of an SIA is limited to paying for the unexpected cost of construction, repairs, and/or replacement of capital improvements. Special assessments cannot be imposed to pay for normal operating costs and are not a discretionary spending source available to the Board.
- The negotiated TRMA will fully fund the 2008 budget. The assessment level is the same as the combined 2007 assessments and it is anticipated that with the cost of living adjustment and the capped discretionary assessment increases, there will be stability and predictability for the foreseeable future in the amount of increased annual assessments.
- Amendments to the negotiated TRMA, if passed, will require a 67% super-majority of votes cast, with at least 10% of members in good standing voting.
- The language that secures Annual Assessments by express liens has been updated with a few important changes provided by legal counsel. The new legal language is required to more efficiently utilize the foreclosure process which will move these properties to new, fee-paying owners.
- Section XII makes all members of POATRI assigns of POATRI’s easement of ingress and egress over Terlingua Ranch roads. The intent is to confirm access to Terlingua Ranch roads for all property owners, consistent with long standing POATRI policy regarding Terlingua Ranch roads.
- The current TRMA includes language which solely benefited the original developer of Terlingua Ranch. The negotiated TRMA removes the “developer-friendly” language and incorporates language that more fully benefits the Membership.

What happens if the negotiated TRMA fails to pass?

- Without approval of the negotiated TRMA, POATRI will continue under the current TRMA, which provides inadequate funding and does **not** fund the 2008 budget.
- Lack of adequate funding will require the Board to make decisions about which services to reduce or eliminate. Such reductions in services will affect **all** phases of road maintenance, the resort operation and property owner service.
- The alternative to reduction in services will force the Board to consider imposing another special assessment to fund the 2008 budget.
- The Cost of Living adjustment, implemented three years ago, has proven inadequate to provide the funding needed in the face of rapidly increasing costs. The ripple effect of increased energy costs is now being felt in all operational areas. Without approval of the negotiated TRMA, the Board cannot adequately deal with increasing costs while still providing protection from large assessment increases.
- Should the negotiated TRMA not pass, there will have to be repetitive future elections for annual assessment increases needed to deal with inflationary costs for the same level of services.

The election putting the negotiated TRMA before the Membership will end July 23, 2008. The POATRI Voters List for this election will be run May 25, 2008. In order to vote in this important election you must be a Member in Good Standing as of the May 24, 2008 deadline for the Voters List.

PO Box 638

TERLINGUA TEXAS 79852



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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.

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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.**