

AROUND THE RANCH

NOVEMBER 2007

PROPERTY OWNERS ASSOCIATION OF TERLINGUA RANCH, INC.

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MESSAGE FROM THE PRESIDENT

BY JACK STATON

The 2007 Board of Directors has made some tough decisions and made progress for the future of the ranch. The Board continues to open communications and strive to make the ranch financially stable for the future. I am honored to have been able to serve as President of the 2007 Board of Directors and to have worked on bringing a positive atmosphere to the ranch.

At the end of the October board meeting I announced that I would be resigning from the Board of Directors. This decision was not an easy one to make; serving in this position has been a great honor, which I have en-

joyed.

Before becoming a Director on the board I was like the majority of our property owners. I had never attended a board meeting before nor did I pay much attention to the decisions being made by the Board of Directors. I would get mad, like other owners, at things the Board had done but would then go back to my everyday life.

In December of 2005, I took my children hunting on our property in the Solitario and saw how they also loved the land and area. At that time I felt I needed to do something to preserve this great Association. I

would like to encourage all owners who feel the same way about the ranch to either consider running for the Board of Directors or participating in a task force or committee.

The success of this Association depends on the participation and assistance of all of the property owners. This organization is owned and operated for and by the property owners of Terlingua Ranch.

I am honored to be a part of this Association and to have served the property owners as a Director and later as the President of the 2007 Board of Directors.

NEXT MEETING OF POATRI'S BOARD OF DIRECTORS:

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

ANNUAL MEMBERS MEETING FOLLOWS DIRECTORS MEETING

SUMMARY OF RESOLUTIONS FROM BOARD OF DIRECTORS MEETING, OCTOBER 27, 2007

BY LIZ DEMETRI, SECRETARY

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

The following resolutions were presented:

- That the attached revised Election Process Procedures from the Election Process Task Force be included in the POATRI Policies & Procedures Manual, replacing the current Section I, Part 5, entitled "Canvassing the Election/Recount Procedures." Motion by Jim Miller, second Tom Durham. 8 ayes, 0 nays, 1 absent-Sullivan.

- That the attached notice for General Manager Candidate Search from the Succession Planning & Management Reorganization Task Force be included in the newsletter and on the website. Motion by Jerry Brewster, second Don Backer. 6 ayes, 2 nays-Miller & Demetri, 1 absent-Sullivan.

- That, in accordance with POATRI Bylaws Article 4.10.f. the annual maintenance assessment for the calendar year 2008 is increased by the 12-month average CPI (All Urban Consumers-South Urban, September 2006 through August 2007) of 2.39

percent to an annual assessment of \$148.47. Motion by Don Backer, second Jerry Brewster. 8 ayes, 0 nays, 1 absent-Sullivan.

- That Section III-Policies & Procedures Manual, Availability of Records number 11 be amended to read that the records of the corporation may be released in a list in digital horizontal format that can be easily transferred to a mailing list that will be released to any candidate running for the annual POATRI election that fills out a formal request. Motion by Kathleen O'Keefe, second Jerry Brewster. 8 ayes, 0 nays, 1 absent-Sullivan.

- That the General Manager be authorized to engage the law firm of Hollmann, Lyon, Patterson & Durell, Inc. to represent POATRI in real estate related matters. Motion by Don Backer, second Jim Miller. 8 ayes, 0 nays, 1 absent-Sullivan.

- Whereas POATRI is a defendant in Cause No 39329, Frank Truska, et al v. Tom Durham, et al, pending in the 412th Judicial District Court of Brazoria County, Texas. The attorneys for the Plaintiffs and for POATRI have negotiated a proposed settlement which shall be submitted to the Judge for approval. If approved by the Judge, terms of which

will be mailed to all members, whether in good standing or not. That the proposed settlement be approved.

The Terlingua Ranch Maintenance Association agreement and the agreed POATRI Bylaws shall be submitted to the District Court for preliminary approval and final approval by the presiding Judge.

That all individual Defendants shall be dismissed with prejudice from the lawsuit.

That all attorney fees and costs of court are to be paid by the party by which they were incurred.

That all Members who have paid their annual assessments will be mailed a ballot for the upcoming election.

That no Member will lose their Member in Good Standing status for failure to pay the 2005 Special Income Assessment or the 2007 Non-Recurring Charge. However, neither will be forgiven and unpaid amounts shall be carried on the Members account. Motion by Don Backer, second Tom Durham. 7 ayes, 2 nays-Brewster & O'Keefe. Both wanted the Members to be able to vote on proposed fees but this was not part of the proposal.

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.





2008 DIRECTORS ELECTION

Six applications were received for the 2008 Director Election to fill the three upcoming vacancies on the POATRI Board of Directors. A drawing for placement on the ballot was held as the last order of business of the October 27th quarterly meeting.

The 2008 Candidates, in the order in which they will appear on the ballot, are:

Dick Willauer,
Sam Sledge,
John Hillje,
Frank Oxsheer,
Richard Whitebear,
Liz Demetri.

The applications will be included with the election ballot packet, to be mailed to owners in good standing as soon as possible following the 2008 assessment date, and posted on the owner web site – www.poatri.org.

ELECTION PROCESS TASK FORCE REPORT

BY JIM MILLER, CHAIR

The Election Process Task Force was charged with reviewing and, if necessary, revising the procedures used for POATRI elections. A coherent, written procedure is important to the understanding of the process and to ensure consistency in conducting POATRI elections.

The task force reviewed and compiled all current procedures into one document, clarifying and adding information to create such a consistent, understandable written procedure. This document was presented to the Board of Directors at the July meeting, but acceptance by the Board was tabled pending review by POATRI's attorney to ensure compliance with POATRI Bylaws and other governing documents.

This review has been completed and recommended changes have been incorporated into the final document, which will be incorporated into the Policies & Procedures Manual, replacing in its entirety Section I.5 entitled "Cavassing the Election/Recount Procedures" of the current manual.

REMINDER FOR THE 2008 DIRECTORS ELECTION

Check the following to ensure that you can vote in the upcoming 2008 election:

- Is my address correct?
- If I am a new property owner, have I completed the process necessary to be included as an owner in the POATRI database?
 - Am I current on all my fees and assessments?
 - Be sure to complete the ballot and mail it back to the address listed on the ballot for receipt no later than January 25, 2008.
 - Remember that mail delivery is not consistent during the Christmas season so mail early to ensure receipt.
 - Ballots can only be received at the PO Box listed on the ballot. All other addresses will invalidate your ballot.
 - If you have not received an official ballot from POATRI by December 23rd, call or contact the Ranch office.
 - Make sure that your friends who own property here have received their ballots. Encourage everyone to VOTE.

OPERATIONS REPORT For the 3rd Qtr. 2007

BY ALIDA LORIO, GENERAL MANAGER

Accomplishments during the last period:

- **Financial:** Cash flow shortage of \$7,000 at period end, as compared to \$30,000 same time last year, primarily due to the repayment of lawsuit expenses to operations from NRC revenues; overall expenses 6% below budget despite increases in specific categories such as legal expense, heavy equipment & accounts collections; assessment side expenses below budget 3%, resort side expenses below budget 10%

- **Road Maintenance:** Completed the repair on Sawmill Road hill behind the Ghost Town; major repair projects are ongoing as budget permits; regular maintenance rotation maintained to cover all areas of the Ranch; Solitario and Cedar Springs areas will be worked prior to hunt season as usual.

- **Resort:** An excellent July counteracted low September occupancy to bring our average annual

occupancy to 1% higher than this time last year; increased rates effective September 1st will help ensure good revenues for the last quarter.

- **Significant personnel issues:** We have been deliberately maintaining a short-staffed position to help with expenses, but must begin to fill certain important positions in order to maintain services.

- **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 and planning for the future.

Planned Accomplishments for the upcoming period:

- **Financial:** End 2007 with an overall deficit and a cash positive resort net deficit of no more than \$30,000; finalize estimates for needed capital projects for review and approval by the Board.

- **Road Maintenance:** Prepare Solitario & Cedar Springs for gen-

eral hunt season and begin winter rotation of general maintenance; identify three repair projects for 2008.

- **Resort:** Finalize estimates for capital projects – replastering of pool & repair of filter system; incorporating new well into water system; rebuilding all cabin porches; review resort strategic plan with Board and revise as needed for 2008 and beyond.

- **Significant personnel issues:** Hire grader operator and begin management planning to maintain continuity of road maintenance operation; fully staff cafe and resort front desk as well as additional administrative staff for bookkeeping.

- **Other:** Complete deed and legal research to clarify Association position regarding assessments and easements; complete preparations to bring delinquent accounts into foreclosure process.

ASSESSMENT YEAR – 2008 ELECTION VOTERS LIST

The 2008 Assessment Year will begin November 27, 2007 to be in compliance with the POATRI Bylaws affecting the January Members Meeting and Election of Directors.

The 2008 Assessment will be charged on that date. Owners with past due balances as of November 27, 2007 will become not in good standing and will not appear on the Voters List for purposes of receiving a ballot. Ballots will be mailed only to those members appearing on the official Voters List for the 2008 Election.

Membership for the purposes of the election will be determined

by the receipt in the POATRI office of copies of deeds filed with the Brewster County Clerk and payment of all fees due POATRI no later than November 26, 2007.

Important Note

Under the terms of the proposed lawsuit settlement agreement approved by the Board at the October meeting, payment of the 2005 SIA and 2007 NRC will not be included in the determination of good standing status.

If for any reason the proposed lawsuit settlement is not approved by the court prior to the 2008 Election date, non-payment of the NRC

and SIA may be included in the determination of good standing status and ballots received from owners who have not paid those charges prior to the November 26, 2007 deadline may be invalidated.



SUCCESSION PLANNING & MANAGEMENT

REORGANIZATION TASK FORCE REPORT

BY JERRY BREWSTER, CHAIR

Things have been rather hectic since July, and we have not had a task force meeting since then. I believe that it was my insistence on retaining the mention of a desirable physical ability that caused the opposition to the proposed announcement in July.

I believe that the necessity of having a potential group of interim general managers and general managers outweighs my wish for that particular attribute to be part of the notice. I have

deleted that portion of the notice and hope that the modified notice can be approved by the board at the October 2007 Board meeting.

It is possible that things will calm down around here soon and that our task force can proceed with the longer-term job of formulating and making recommendations for reorganization of our management.

The notice posted below in this newsletter and on the owner

website is meant to encourage some good candidates for a demanding and thankless job to come forward, to form a pool from which we may choose, should our current general manager be unable to continue in the position.

Members of the succession planning & management reorganization task force: Julianne Braun, Bonnie Hill, John Hillje, Larry Gorden, Alida Lorio, Jack Staton.

GENERAL MANAGER CANDIDATE SEARCH

The purpose of this announcement is twofold. POATRI is seeking to identify individuals who may be interested in a future opportunity to serve as General Manager. We are also seeking unpaid volunteers who would work with the current General Manager to learn enough now about POATRI operations to serve in an interim capacity in the event of a long-term, unplanned absence of the General Manager.

Interim General Manager

In the event of an opening, this person would be responsible to ensure supervision of all operations including lodge area and road maintenance, billing and collection of all fees, administration of office work as well as the training of new employees and ongoing training of all employees. Personnel management includes documented entries in employee files rating performance and appropriate disciplinary actions. The interim manager would be responsible for posting safety and health regulations and

monitoring actions of subordinates. This person would be an eligible candidate to become the general manager. If this position becomes available, the salary will be commensurate with the abilities of the successful candidate.

Desirable attributes of candidates:

- Resident who now lives on or is willing to relocate to a property within 30 minutes' drive of the lodge.
- Previous administrative experience in a supervisory position entailing budgeting and the estimating of material and labor expenses (e.g. construction, motel, etc.).
- Have the ability to read and understand financial records, to work with a board of directors, and to manage a staff productively.
- Have a mature personality and be people-oriented.

General Manager

The General Manager performs all of the duties listed for the interim general manager and in addition performs the following:

- Determines and develops future plans for operation including budget recommendations for equipment and capital expenditures for presentation to the Board for approval.

- Assists the Board in long-range planning
- Keeps the Board informed about current status of all operations and any potential problems.

The salary for this position, should it become available, will be commensurate with abilities of the successful candidate.

Interested Candidates

Anyone interested in serving his/her neighbors in any of these positions, please leave a brief resume – including a brief paragraph stating why you think that you are qualified for the position – at the Ranch office for the attention of Jerry Brewster, or mail to E. J. Brewster @ POATRI, P.O. Box 638, Terlingua, Texas 79852-0638. The task force will review resumes and make recommendations to the Board as appropriate.

2008 BUDGET REPORT

BY DON BACKER, TREASURER

At the July quarterly Board meeting, the Board of Directors (Board) approved the Budget & Finance Committee (BFC) recommended budget for 2008. At the October, 2007 quarterly meeting it was the intent of the BFC to recommend an election by the membership to approve an assessment increase required to support this budget.

Because of Board approval of a proposed settlement agreement in the pending lawsuit, no recommendation was made to the Board. However, it is important that owners understand some of the underlying causes of the projected shortfall budget.

Summary of the Cash Shortfall for the 2008 Budget

The total cash collection from all sources, including assessments of \$148.47 per owner account for 2008, resort revenues, and short term cash borrowing, is forecast to be \$846,700. The total of all cash outflow (expenses, debt service) is projected to be \$1,004,286, leaving a cash shortfall of \$157,586 for 2008 under the current flat fee per owner account assessment formula.

Using the current flat fee structure, the assessment increase needed to cover this shortfall and balance the 2008 budget would be \$49 per property owner, based on current ownership and collections history, which indicates that for the 12-month period of the current assessment we will receive payment from approximately 3300 owners (14% of our owners are exempt, 10% of our accounts are uncollectible and are in the

foreclosure process, 10% of our owners pay after the current assessment year).

Explanation of Increased Costs

Although management increased room rates and RV rates, in 2007 POATRI cleared a substantial number of delinquent assessment accounts, which helped pay for increasing costs in 2007 but exhausted this revenue source for 2008, thereby reducing projected income for past due collections in 2008 by \$60,000.

The three tier minimum wage increase imposed by the federal government will significantly increase payroll expense levels through 2009. An increase of \$60,000 for 2008 was recommended to maintain wage parity with minimum wage increases. Without this parity our pay scales 1) will be below other employers in South Brewster County, 2) will cause us to continue a wage freeze that has been in place for two years, 3) increase the probability we will lose trained employees because of low wages, and 4) require us to pay higher wage levels to new, untrained, employees.

Increases in costs of fuel, tires, and equipment parts and service for road maintenance equipment, result in an increase of \$28,000 to the budgeted expenses for vehicles and heavy equipment, while higher costs for building materials, supplies and equipment added \$19,000 to the budget. Projected costs for legal fees have increased by \$20,000, to provide guidance on issues affecting the liability and legal responsibility of the corporation,

and the cost of indemnity insurance for Board members and employees, required by our bylaws, was increased by \$5,000.

Summary of Assessment Increases and Charges over the past Three Years

Prior to 2005, the assessment level established in the original TRMA was increased only twice, the last time being in 1986. The constant assessment level over 20 years created an increasing number of financial and operational problems. Over the last three years, the challenge has been to get POATRI operating on a realistic, current dollar value budget, and to address the problems caused by inadequate funding over many years.

Each of the financial solutions enacted by the Board and the Membership since 2005 accomplished its specific purpose, and each contributed toward getting POATRI closer to financial stability.

The 2006 assessment increase met the need to improve road maintenance and balance the operations budget. It was not designed to cover other types of expenses such as the need for reserve funds, or higher than normal cost increases in wages, equipment and supplies. Operating expenses have been reduced wherever and whenever possible. Further reductions will negatively affect services.

Although the sale of the resort facility may ultimately be in the best interest of POATRI, the decision must come from the entire membership, and time constraints of a sales process that

POATRI CASH FINANCIAL INFORMATION SUMMARY FOR THE 9 MONTHS ENDED SEPTEMBER 30, 2007

	<u>Cash Position</u>	<u>Comments & Supporting Information</u>
Cash Balance Jan. 1st	75,189	2007 assessments collected in Dec., less \$6,128 used for 2006 expenses
Cash Collected Jan. 1- Sept. 30	<u>827,865</u>	Includes Assessments, Resort, NRC, Volunteer Assessments, Tax Sales
LESS		
Paid Operating Expenses	493,608	Total expenses are 6% below budget; Resort expenses 10% below budget
Assets Purchased	43,933	Telephone system, Resort, TRIPOD, vehicle improvements, housing
Debt Service	180,013	Road graders, well property, trucks, 2006 LOC. final TRIPOD dev. payment
Lawsuit Expense	58,520	Includes 2006 expense repaid to Operations, plus 2007 expense
Net change in Accounts Payable	<u>(3,682)</u>	
Cash balance Sept. 30	130,662	
LESS	57,319	Capital Reserve Fund
	<u>47,566</u>	Contingency fund, net of \$7,000 loan to Operations
	25,777	Operations Cash, includes \$7,000 loan from Contingency Fund
<u>POATRI Financial Information</u>		<u>Comments & Supporting Information</u>
Assessment Receivables Balance		
Current & past due:	608,937	2007 assessments = \$245,991; Total past due \$362,946 2007 assessments collected = \$432,478 in 2007 plus \$81,317 collected in Dec. 2006
NRC Receivables balance:	291,983	\$494,300 billed; \$60,000 identified as uncollectible: \$105,000 identified as slow pay, Target collectible is \$330,000
Provision for Doubtful Accounts		
Past due assessments:	<u>(205,545)</u>	Does not include 2006 estimate of \$91,000 slow pay, or 2007 uncollectible of \$85,000, or 2007 estimate of \$93,000 slow pay. Adjustments for these items to be made at end of year.
Total Assessment/NRC Receivables	695,375	

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.

would net POATRI the best possible return precludes any immediate benefit. Closing the resort facility has been determined to be a non-viable budget reduction option as closing the resort will reduce the 2008 shortfall by only 19 percent, and losing the benefit of the cash flow provided by the resort, combined with the cost of maintaining the asset does not

make financial sense.

Road maintenance is the only area under our control where a significant reduction in expenses could be achieved. However reducing expenses in this area would put POATRI back in the position of three to four years ago and owners would lose the benefit of the progress we have made in repairing our roads.

This does not appear to be an acceptable alternative.

All efforts are being made to run the Ranch Operations in the most cost effective manner, and we believe it is necessary for POATRI to successfully deal with the economic, financial, and operational issues that face us in order to meet the needs of our property owners.

MEDIA COMMITTEE WEBSITE REPORT

BY KATHLEEN O'KEEFE, WEBSITE SUBCOMMITTEE CHAIR

Communications is the liveli- hood of any organization; infor- mation must flow to a larger au- dience and flow at a more rapid and accurate pace than it has in the past in order to help build cohesion in the group.

Therefore our report will be centered upon helping to bring forth a more rapid communica- tion to an ownership that is ca- pable of thinking for themselves but one that also needs the nec- essary facts and only the facts (not opinions) in order to come to their own unique conclusions.

We are asking that anyone

with web design expertise please contact Kathleen O'Keefe, Me- dia Committee Website Chair, at okeefekathleen@aol.com if you would like to volunteer to help make the actual mechanics of the website more user-friendly and visually appealing.

We, as the committee, are also going to be volunteering our time to help edit and keep the office informed of any errors or pressing changes to details that might need updating. Of utmost importance is help in getting information posted in a timely manner. We are asking for vol-

unteers to help us accomplish that also. Once again, please con- tact this committee chair if you would like to volunteer to help us with that project.

The website should not be a place for anonymously, or with credit, expounding on how one person or a group of people think the ranch should be run or who should win the election or how owners should vote. The candidate applications should be posted on the website and stand on their own with no additional commentary.

HUNT COMMITTEE REPORT – 2007-2008 SEASON

BY JIM MILLER, CHAIR

This year's dove season closed Oct. 30th. It will reopen on Dec. 26th and run thru Jan. 4, 2008. Each hunter must have a migratory game bird stamp to hunt dove.

Quail season began Oct. 27th and runs thru Feb 24, 2008. An upland game bird stamp is required to hunt quail.

Mule Deer Archery Season started

Sept. 29th and ran thru Nov. 2nd. Either sex is permitted during archery-only season.

Rifle season runs from Nov. 24th through Dec. 9th. Again, only one buck is allowed during the regular season.

I recommend everyone review Texas Parks and Wildlife's *Outdoor Annual Hunting Guide* which pro-

vides all hunting and fishing regula- tions.

It looks like it will be another good year as quail and deer are seen regularly.

We are asking for volunteers to staff the hunter registration locations and the deer locker for storage of hunter's game. We will be placing a sign-up list in the office and hope- fully get a lot of volunteers. We also need extra volunteers for Friday and Saturday of opening weekend.

Good luck to everyone! We are looking forward to seeing each and every one of you.

We ask that everyone register at the registration location so we can be the focal point, in case of emergen- cies.

Also, I would like to remind all property owners and hunters that there are no public hunting areas on Terlingua Ranch. You have to hunt on your land or have written per- mission to hunt on someone else's land.

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.

FINANCIAL PLANNING TASK FORCE REPORT: CAPITAL RESERVE FUND, CONTINGENCY FUND AND ASSESSMENT METHOD

BY JIM MILLER, CHAIR

*Editor's note: Due to the approval by the Board of a proposed settlement to the current lawsuit, there will be no proposed amendments to the TRMA on the 2008 ballot. This report, which was prepared prior to the Board's approval of the proposed settlement, is included to keep property owners apprised of contingency planning should the proposed settlement not be approved by the presiding judge of the 412th Judicial District Court of Brazoria County, Texas. [See *Law-suit Update* article for additional information, page 11.]*

At the July meeting, the FPTF submitted its report and recommendations with regard to the Capital Reserve Fund, Contingency Fund, and the assessment method, but requested delaying a decision until after the NRC collection deadline, and until new legal language was available to support the Assessment Method.

The following has been accomplished this quarter:

As reported, NRC collections reached \$181,300, or 55% of the targeted amount of \$330,000 by Sept. 30. As shown on the September 30 Balance Sheet the Capital Reserve Account had a

balance of \$57,300, and the Contingency Fund had a balance of \$54,600 which includes \$7,000 that had been loaned to Operations for short term cash flow requirements as planned. It is anticipated increased cash revenue during the last quarter will allow Operations to repay the borrowed amount to the Contingency Fund. The availability of the Contingency Account allows Operations to "borrow" from the fund, rather than incur interest charges for using POATRI's line of credit at the bank.

New legal language for the TRMA which will support either the current flat rate method or the base fee plus an acreage method has been developed and recommended by the BFC for the January Ballot for property owner approval.

Recommendation by the FPTF:

The FPTF recommends that the funding requirements for the Capital Reserve and Contingency Funds, and the assessment method, not be placed on this January's ballot, but that a separate ballot specifically for this purpose be sent to property owners in the second quarter of

next year. It is suggested that the new Board in January establish a plan to follow through on this recommendation.

The primary reasons for delaying an owner vote at this time are that 1) members will be voting on an increase in assessments to support the 2008 operations budget, and being asked to also vote on funding for the two Reserve Funds may be too large an additional financial burden on property owners; and 2) establishing the Capital Reserve Fund to maintain the condition of our facilities and equipment, and the Contingency Fund to deal with emergencies, is essential for our success.

We believe property owners will be able to make a more appropriate evaluation of supporting these Funds if the topic and information are provided in a separate ballot.

The previous reports to the Board, namely the recommendations for the Capital Reserve Fund and the Contingency Fund, and the assessment method provide extensive information to assist in preparing the ballot package for property owners.

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

POATRI ACCOUNTING & REPORTING

BY ED MARCATO, BUDGET & FINANCE COMMITTEE

During our 2008 budget process, it became clear that a number of folks do not understand some of the fundamental principles in our accounting and financial reporting systems. I think that some of the information we discussed in the budget process would be of interest and use to all property owners.

An Accounting System is called a closed ended system.

Every financial transaction we perform, including every invoice we send out, every check we receive from property owners, and every expense we pay, is done through our QuickBooks and our owner database (TRIPOD) systems.

Every entry into these systems creates a permanent record of what was done, and all records are included in the financial reports that we generate.

Each month, as part of our internal audit process, we reconcile the records in the TRIPOD system, which records all the property owner transactions, with the Accounts Receivable and Cash accounts in our QuickBooks accounting system.

The Audit Committee performs monthly reviews of the bank statements and other financial records to ensure that strict cash controls are maintained. This committee consists

of financially experienced volunteer property owners who are neither directors nor employees.

At the end of each year an independent auditor examines our accounting practices and all of our financial records, including TRIPOD.

Financial Reports are produced by our QuickBooks Accounting System.

All transactions that occurred during the reporting period are included in the accounting system.

Consistent with accounting principles, when we send an Assessment invoice, or other bill for services, to a property owner, an accounts receivable entry is made, and every time a property owner pays a bill, there is an entry into the cash account. All cash register receipts from the resort are reconciled daily, and all expenses are entered in order to reconcile accounts on a monthly basis. What you see on the financial reports is an exact representation of all the financial transactions of the Association.

Each December 31 we close our books and produce a final set of reports for the year. This is called the fiscal boundary, and all transactions must be reported within the year in which they occurred. For example, in December of 2006, approximately 13 percent of property owners paid their

2007 Assessment invoices. These payment transactions were recorded in December 2006, as required by standard accounting principles. The cash collected is recorded into the Cash Account on the Balance Sheet, and the balance of cash as of December 31 is then carried forward into the next year. For property owners' information we make a special note of the amount of current assessment year funds collected in December of the previous year on each of the quarterly Financial Summary reports.

Resort Support Cost Information

As of Sept. 30 the resort deficit was \$44,200. Using the same number of members in good standing (3300) that we used in the budget process, the cost per member is \$13.40. If we stay on the current track, the deficit could be under \$60,000 for the year and the cost per member will be about \$18, or about 12% of the 2007 Assessment.

It is also important to note that the resort will contribute positive cash flow to the Ranch, as the deficit will be significantly less than the costs we would have if the resort were closed. We continue to reduce the percentage of assessments required to keep the resort functional and are working to increase resort revenues to further improve the ratio.



LAWSUIT UPDATE

BY RUDY CANO, POATRI CORPORATE COUNSEL

On Saturday, October 27 the Board formally approved the tentative settlement of Cause No. 39329; *Frank Truska, et al. v. Tom Durham, et al.*; in the 412th Judicial District Court of Brazoria County, Texas ("the lawsuit").

This is a tentative agreement only because any settlement is subject to approval by the presiding Judge of the 412th District Court. Only the Judge can approve this settlement because the lawsuit is a derivative lawsuit brought on behalf of all Terlingua Ranch property owners and, because, if approved by the Judge, the judgment will be binding not only on POATRI, but also on all Terlingua Ranch property owners. The Judge will consider whether the negotiated terms of the proposed settlement are in POATRI's and the members' best interests. A hearing requesting preliminary approval by the Judge is set for Friday, November 16 in the 412th District Court in Brazoria County, Texas.

Assuming the Judge grants preliminary approval to the proposed

settlement, it will be the Judge who decides how notice of the proposed settlement and of the hearing for final approval and entry of judgment is to be conveyed to the property owners. It is likely the Judge will order a packet be mailed to the primary contact (as reflected in POATRI's records) for all owner accounts. We expect this packet to contain a notice of the hearing date for final approval (probably in January 2008), a copy of the proposed Terlingua Ranch Maintenance Association agreement, a copy of the proposed bylaws, a copy of the proposed settlement agreement, and a copy of the proposed final judgment.

What methodology the Judge will allow for any property owner or group of property owners to inform the court of either their opposition to, or support for, the proposed settlement is within the sound discretionary authority of the presiding Judge. In other words, the Judge decides how any member will be allowed to voice their support for, or opposition to, the proposed settlement. Those

instructions may also be included in the packet of materials mailed to all property owners. However, it is important for each owner to understand that whether the proposed settlement becomes effective is a decision which will be made by the presiding Judge and not by the parties to the lawsuit. The parties have negotiated extensively to reach an agreement which both sides of the lawsuit can present to the Judge for approval.

Assuming the court grants preliminary approval, it is likely that each property owner will be mailed the packet of materials described above. I would urge each property owner to read carefully the packet of materials in order to understand fully the proposed settlement. Owners may want to consult with their own attorneys for further explanation of the terms of the proposed settlement.

Finally, assuming the court grants preliminary approval and requires the above noted packet to be mailed to each property owner, it can be reasonably expected the packets will be mailed by mid-December 2007.

RV PARK REPORT

BY KATHLEEN O'KEEFE, DIRECTOR

In accordance with our current Strategic Plan of encouraging owners' use of the ranch facility, this report was put together to address longer term use of our RV park by owners and prospective owners.

There is a need for a small amount of long-term use of the RV park as temporary living space in order to give owners time to improve their land to make it more usable for living. There is also a small need for prospective owners to use the RV Park while they search for just the right piece of land.

The ability to implement this proposed policy change was discussed

with our General Manager and it was decided to ask the Strategic Planning Steering Committee to take this proposal under advisement for possible future implementation.

Proposed RV Park Long Term Usage

A. There are 8 full-service RV sites that have septic. Three of these could be made available for use by owners or prospective owners on a long-term basis of up to six months.

B. There are 12 partial-service RV sites with no septic. Three of these could also be made available for use by owners or prospective owners on a long-term basis of up to six months.

C. It is traditional for RV parks to give a discount to people who pay a month in advance for a month's stay. I suggest a discount of 30% for prospective owners and owners in good standing, and 25% for those not in good standing. However, during the busy season, the discount would be rescinded; long-term campers would then pay full price or move to different site.

D. It will be left to the discretion of the General Manager to decide, at any time, if our infrastructure is not holding up to this type of use; then it would be modified or stopped.

PO Box 638

TERLINGUA TEXAS 79852



RETURN SERVICE REQUESTED.

A map showing the location of Terlingua Ranch Lodge. The map is oriented vertically, with "To El Paso" at the top left and "To Del Rio" at the top right. A central vertical line represents a road, with a circle containing the number "118" indicating a state highway. A branch of the road extends to the right, leading to an oval labeled "Terlingua Ranch". At the bottom of the map, there are three ovals: "Terlingua", "Study Butte", and "Big Bend National Park". The background of the map shows a desert landscape with mountains.

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.