



**TERLINGUA RANCH**  
**POATRI BOARD OF DIRECTORS**  
**BULLETIN #3 – September 29, 2008**  
*Options for the Terlingua Ranch Resort Facility –  
Part Three*

In our first bulletin, the Directors explained that the Board has a responsibility to the corporation, and therefore it appears we have little choice but to reopen and commit to the Resort operation.

In our second bulletin, we talked about trying to reconcile POATRI's current strategic plan with the financial realities of our economic situation. We asked a crucial question: ***Do POATRI members still want a fully functioning resort facility?***

Although we have not heard from each owner, several responses we did receive are interesting:

- “I strongly support your decision to close the resort at this time and firmly believe that it should not be reopened until and unless it can stand independently solvent of the property owners assessment-based support.”
- “I would gladly pay more fees to ensure the lodge stays open.”
- “Maintain the roads. THAT’S what most of the property owners need, not the lodge or resort.”
- “Regardless of whether you see me at the Lodge or not, be assured that I support a plan to operate the Lodge at or near a profit. A small loss I consider as ‘dues’.”
- “We believe [the Resort] has had adequate time to become self sustaining and that good money should not follow bad money. Surely it is now time to put it to a vote ... if the property owners want their assessments used for this great task [reviving the Resort] or used to maintain their roads.”
- “As property owners we believe the Resort adds immense value to our investment.”

The POATRI Directors are divided in their individual personal views about the resort. Director opinions run the gamut, from “this does not make financially sound sense” to “the lodge was part of what we bought and we can’t get rid of it.” We have not reached a consensus, and need to hear from as many members as possible in order to proceed intelligently.

**As a Board, we have several concerns:**

- While the property owned by the corporation is an asset, the business of the resort itself, although it contributes to our cash flow, is a bottom-line loss.
- Repositioning the resort business to make it self-supporting would be very costly over an indeterminate number of years.
- The money needed to repair and improve the buildings and structures can come only from the budget that supports road maintenance and assessment collections, from increased owner assessments, or from a loan that increases the need for cash.
- Continued threats of lawsuits may diminish our ability to reopen the resort business successfully and could decrease road maintenance and assessment collections.
- Even if owners vote to sell the resort, we may leave POATRI vulnerable to legal attack from some for not providing for the lodge facility called for in the TRMA.

**As a Board, we do not want to put POATRI into a position of more shortfall budgets.**

Perhaps our inaction in October 2007, when we did not ask owners for an assessment increase, may be understood in light of our hope for a legal settlement that would have included the needed 2008 increase. Our lack of contingency planning put us in the July 2008 position of charging a budget variance for this year.

Had the Board sent an out a ballot asking for an assessment increase in October 2007 while continuing with settlement negotiations, we would have had an answer from owners by January and could have taken action then to either fund or avoid the 2008 deficit. Hindsight is 20/20, and we hope we can learn from our mistake.

We are currently working on the budgeting process for 2009. We already know that we will be sending a ballot to ask for an assessment increase. **HOWEVER, the amount of the requested increase and the allocation of those funds, should the increase pass, depends upon the wishes of the owners regarding the future of the Resort.**

We ask each owner to fill out and return the survey at the end of this bulletin. The results of this straw poll will help us determine ballot options for the January election. **It is vital that we hear from as many owners as possible.**

In January, members in good standing will be able to vote for or against an assessment increase. In the ballot package, we will clearly state the consequences of each vote.

However, the option to be presented for an official ballot will be determined by the Board after consultation with owners, legal and financial professionals and business analysts. **Most importantly, the budgets presented as part of the ballot will depend heavily on the response we receive from this poll.**

***RECAPPING THE OPTIONS:***

**1) Operate Terlingua Ranch Resort Primarily for Owners**

- Historically, the lodge/resort facility was a part of the Terlingua Ranch package and was never envisioned as a break even or profit-making operation.
- As early as 1973, Terramar opened the lodge facility to the general, non-property-owner, public to offset rising costs of operating the facility year round for owner availability, and POATRI continued that practice.
- Continued year round availability requires an increasing percentage of assessment support due to steeply increasing costs and personnel requirements, higher fees for resort usage, or decreased availability to owners.
- Because room occupancy supports the peripheral amenities such as pool, bathhouse, laundry and water sales, a partial reopening might not make financial sense.
- In 11 years, Terlingua Ranch owners have spent an average of 17% of collected assessments to support the resort facility operating budget, although at times that figure has been as high as 31%.
- Capital Repair projects to maintain the infrastructure are not included above.

**2) Maximize the Potential of Terlingua Ranch Resort to Minimize Assessment Support**

- Reducing assessment support will require an investment in professional marketing, hospitality-trained personnel, employee incentive programs, and upgrade of facilities.
- To draw more tourists to the Resort will require a committed professional marketing program which must be funded from assessments until such time that it produces the required results.
- POATRI and the membership must welcome non-property owner visitors and support increased activities to attract additional non-owner revenues.
- A long-term commitment must be made, with a minimum three-year time frame for measuring the effectiveness of the program.

- Capital improvements and repairs must be made to the infrastructure, such as upgrading electric, plumbing, Americans with Disabilities Act requirements, replacement of roofs, heating and cooling..

### 3) Sell the Resort Facility:

- Terminating the Protective Covenants is a two- to three-year project requiring the approval of the owners of approximately 97,000 acres (approximately 550 to 4400 owners depending on acreage owned). Terminating the Covenants which restrict disposal of the property will require legal expense and a committed campaign among owners to secure the necessary agreement.
- Expenses to either keep the resort facility closed or to operate it as in the past must be supported by assessments during the period of time it might take to sell the property.
- POATRI offices and the road maintenance facility would have to be relocated elsewhere. These expenses would reduce any potential profit from a sale.
- Capital repair for maintenance of the physical infrastructure would be additional costs during this time.

### *SURVEY OPTIONS:*

The purpose of this survey is to determine how a majority of our owners feel about continuing the resort operation and under what conditions. **The crucial questions before us are:**

- **Does Terlingua Ranch Lodge currently serve its originally intended purpose as an integral part of Terlingua Ranch?**
- **Do the owners feel it appropriate continue to have some portion of their assessment assigned to its support?**
- **Do the owners want a fully functioning resort facility?**

**This is not a vote. This is a survey only that will help determine the alternatives put to the membership on a ballot in January, 2009.**

We ask that you return the survey on the back of this bulletin marked with your preference for the following options:

1. Operate the Resort primarily for owners, available to whatever extent possible, with an approved percentage of assessments allocated to its annual support. This option may require less availability or fewer amenities in order to remain on budget, but would preserve the privacy of an owner-only facility.
2. Pursue sale of Resort and relocation of road maintenance and property owner association office, while operating the Resort primarily for owners, with an approved percentage of assessments allocated to its annual support. This option also may require less availability or fewer amenities in order to remain on budget.
3. Invest in the Resort to maximize use by owners and non-owners by committing to three year program of repositioning through a professional, committed marketing program. Increase Resort Fees to owners as necessary to maintain availability to those who use facilities. Allocate an approved percentage to assessments to fund this repositioning.
4. Maintain Resort as closed facility and pursue sale of Resort and relocation of association and road maintenance offices with objective after three years of 100% of collected assessments being committed to road maintenance and necessary administrative functions.

**YOUR OPINION AS A PROPERTY OWNER & POATRI MEMBER COUNTS.**

**PLEASE PARTICIPATE IN THIS IMPORTANT INFORMATION GATHERING PROCESS.**

**RETURN YOUR COMPLETED SURVEY TODAY!**

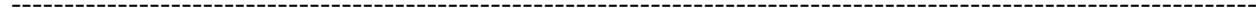


**Terlingua Ranch News Bulletin**  
**POATRI Board of Directors**  
**P. O. Box 638**  
**Terlingua, TX 79852**

**Address Correction Requested**

**IMPORTANT NEWS FROM  
 THE TERLINGUA RANCH  
 BOARD OF DIRECTORS**

**Name, Address**



**RESORT SURVEY—READ BULLETIN BEFORE RESPONDING!**



**It is important that the POATRI Board of Directors receive your opinion regarding the future of the Resort facility to properly address the budget issues in the 2009 Ballot. Please carefully consider the information that has been provided in the three News Bulletins regarding the options before the Board. Your opinion regarding the Resort is extremely important and will, to a large degree determine how the ballot on future assessments is formulated.**

Of the survey options presented above on page 3, with which would you most agree? Number the options you find acceptable in ascending order of preference; #1 being your preferred option.

- \_\_\_\_\_ Operate Resort primarily for owners, available to whatever extent possible
- \_\_\_\_\_ Pursue sale of Resort facility; operate Resort primarily for owners, available to whatever extent possible
- \_\_\_\_\_ Invest in Resort to maximize use by owners and non-owners
- \_\_\_\_\_ Maintain Resort as closed facility; pursue sale of Resort
- \_\_\_\_\_ Maintain Resort as closed facility for 2009; continue analysis

Return this completed Survey as soon as possible to:

**POATRI Resort Survey**  
**P. O. Box 638**  
**Terlingua, TX 79852**