

AROUND THE RANCH

AUGUST 2006



PROPERTY OWNERS ASSOCIATION OF TERLINGUA RANCH, INC.

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MESSAGE FROM THE PRESIDENT

BY TOM DURHAM

A key focus of the July 29 quarterly meeting was on new programs to improve communication among the Board, management and property owners.

- We adopted a Media Communication Policy which defines the responsibilities of the Board and the General Manager in communicating with property owners, and sets forth guidelines for keeping the membership fully informed of Association activities.

- We approved an expanded director candidate questionnaire for future elections to provide property owners with more complete candidate information to assist you in your voting decisions.

- The Strategic Planning Steering Committee has formulated an ongoing property owner input process to encourage continued participa-

tion in the all-important Strategic Plan.

These important actions resulted from your requests for improved communication from your Board and management. I encourage you to continue to provide constructive comments and suggestions, and, most importantly, to participate by exercising your vote in the January election. Choosing the directors who guide the corporation is the most vital input you can provide.

On a less pleasant note, I need to inform you of an open discussion during the new business portion of the meeting regarding the behavior of certain owners who continually publish erroneous information making unsubstantiated negative claims about POATRI operations, the Board and the General Manager. Your directors, as well as owners

in attendance, addressed this issue, which was brought before the Board by formal complaints from several property owners.

As a result of this discussion, I established a task force to process all available information regarding what, if any, risk to POATRI may be caused by such negative campaigns.

Because this group of owners has spoken and written openly about electing Board directors who would work to overturn many of the resolutions and improvements adopted over the past two years, the majority of your board feels that this situation needs to be addressed.

Appropriate action will be taken in this third quarter. Full reports on our process and actions will be posted on www.poatri.org as they are finalized.

**NEXT MEETING OF POATRI'S BOARD OF DIRECTORS:
SATURDAY, OCTOBER 28, 2006, 10 AM AT TERLINGUA RANCH HEADQUARTERS.**

IMPROVED OWNER COMMUNICATION, WEB SITE, & NEWSLETTER VITAL FOR TR FUTURE

BY JANET SULLIVAN

The mandate of the POATRI Media Committee is to continually improve communications with Terlingua Ranch owners through the quarterly newsletter and owner web site. In a recent review of the media available to our members, we determined that often the sheer amount of information available can be overwhelming.

We have recommended, and the Board has accepted, a new approach, particularly to our web site, which will simplify access to Board activities, documents, financial statements, operations reports and Strategic Plan updates, as well as extensive balloting information

for elections. We will continue recent improvements to the newsletter to provide at least summary level information, with more detail available at www.poatri.org.

A revised Communications Policy, which defines the specific communication responsibilities of the Board and management was also adopted at the July meeting. Our agreed upon communications responsibilities, for both Board and management are:

- To provide accurate information, to include not only the facts but also the context and, most importantly, how the information affects property owners.

- To provide information in a timely manner, and in such a way as to be easy to read, understand and to be useful to property owners.

- To respond in situations where property owners and prospective property owners are receiving inaccurate or misleading information by providing facts, context and effects.

The full Communication Policy is provided on the web site. We will be revising the owner web site during this quarter to provide an easier to negotiate information platform with better indexing, quick links and summary pages, as well as the full text of documents and reports.

EXPANDED OWNER INPUT TO STRATEGIC PLAN

BY JACK STATON, CHAIR

The Strategic Plan Steering Committee is pleased to announce a new property owner Input Process for the POATRI Strategic Plan. Through email and sending letters, all property owners can make suggestions regarding the future direction of the ranch.

Having a Strategic Plan is a new process for the ranch. It has been in place for less than a year, but it has already provided a common set of values and direction that influence all ranch activities from our road maintenance program to our new Communications Policy and the new board candidate application

questionnaire. We encourage your contribution of constructive suggestions with regard to the long term strategic direction of the ranch. A brief overview of the Input Process is as follows:

- Email your strategic suggestions to SPSC@poatri.org or mail them to the ranch office, SPSC, c/o POATRI, P.O. Box 638, Terlingua, TX 79852.

- The SPSC will send you an acknowledgement, evaluate all suggestions and make appropriate recommendations for changes and additions to the Board.

The SPSC will prepare a quarterly report of the suggestions made and actions taken and make this available on the web

site and in the newsletter.

The full Strategic Plan is posted on the POATRI web site, along with various update reports from the General Manager regarding SP progress.

POATRI STRATEGIC PLAN

- Fiscal Responsibility
- Road rehabilitation programs
- Resort for owners & low-impact visitors
- Improved communication with owners

**FOR A BETTER
TERLINGUA RANCH!**

SUMMARY OF RESOLUTIONS FROM BOARD MEETING JULY 29, 2006

BY LIZ DEMETRI, SECRETARY

The following eight directors were present and certified: Jack Staton, Don Backer, Jerry Brewster, Janet Sullivan, Tom Durham, Liz Demetri, Virgil Evans and Kathleen O'Keefe. Absent: T. J. Ramey.

The following resolutions were passed, unless otherwise noted all votes were unanimous:

- The Cash Budget for the fiscal year 2007 is approved as presented. Motion by Jerry Brewster, second by Jack Staton.
- The new POATRI Communications Policy is approved. Motion by Janet Sullivan, second by Tom Durham.
- Changes are made to the POATRI Director Application Committee procedures to accept a new, expanded Candidate Questionnaire, in which candidates are not required, but are asked, to indicate their position on the Strategic Plan and other corporate documents; candidates are not restricted from changing a position at a later date or limited from bringing in new ideas and new approaches; nor will the committee make any judgments on the actual positions taken by candidates. Motion by Janet Sullivan, second by Virgil Evans. 7 ayes, 1 nay-

O'Keefe, 1 absent.

- The General Manager, Alida Lorio is authorized to renew the corporation's revolving line of credit with West Texas National Bank, not to exceed \$100,000. Motion by Jack Staton, second by Don Backer. 6 ayes, 2 nays-Brewster & O'Keefe, 1 absent.

- That POATRI sponsor an employee of Terlingua Ranch, to be decided by the General Manager, to attend the Leadership Big Bend Class, beginning in fall of 2006, and pay the \$175.00 registration. Motion by Janet Sullivan, second by Liz Demetri. 6 ayes, 2 nays-Brewster & O'Keefe, 1 absent.

- Three additional resolutions dealt with changing the name of a Committee, adding a clarifying phrase in the Policies and Procedures Manual, and enabling a signature process to facilitate the auction sale of a tract of land by the ranch.

The full minutes, when approved by the Board of Directors, will be posted on www.poatri.org and will be available in hard copy by contacting the Ranch office.

Editor's note: other meeting reports and discussion items are covered in other articles in this newsletter.

RHETORIC: ITS USES AND ITS DANGERS

Over the last few years groups of owners have expended a great deal of time and energy in mailings to the membership which claim to "tell the truth" about POATRI. In fact, these communications are excellent examples of political campaigns which use marketing techniques to "sell" their opinions and their candidates. Much of the effectiveness of such propaganda is the scattering of selective "facts" in what is, in truth, emotional rhetoric.

POATRI as an organization representing all property owners cannot express an "opinion." POATRI can only state complete facts, give context, and educate owners to the effects of Board action and the consequences of decisions requested of the membership. This purpose drives POATRI's efforts to improve owner communication and to involve more owners in decision making through the Strategic Plan, as well as to provide more candidate information for the upcoming director election.

Without complete factual information owners can be easily led into non-productive thinking and decision making. To combat this situation, the POATRI Board has authorized a web site page to correct misstatements of fact and, as Paul Harvey used to do, give owners "The Rest of the Story ..."

For more, visit www.poatri.org.

NEW, IMPROVED OWNER WEB SITE

Watch for the redesigned www.poatri.org scheduled to go on line by September 30, 2006. Easier to navigate, more index quick links, summaries and detail, search capabilities. MORE, BETTER, EASIER!

BOARD PLEDGES MORE, BETTER INFORMATION FOR DIRECTOR VOTING

Many property owners have indicated they do not vote for Director candidates because they do not have enough information to feel they know the candidates and they are fearful of making a wrong decision.

In action taken at the July quarterly meeting the Board accepted an expanded director application process which will ask candidates to provide views and positions on various Strategic Plan issues and greatly improve the knowledge voters will have available for decision-making.

In addition to a brief biography, the new application will request information on several topics, including candidate's expertise, how they can represent property owners, and if they represent a particular constituency. Most importantly, candidates will be asked to provide their position on:

- The ranch Strategic Plan and what, if any changes they will propose to this plan which determines the future of Terlingua Ranch.

- The POATRI By-laws, Policies and Procedures and Maintenance Agreement – and what, if any, changes they will propose to these documents which govern the Association.

It is vitally important that all property owners participate in determining the directors who will make the decisions which affect us all. The new application process is designed to help members differentiate between the candidates, as well as to provide the information needed to select directors who demonstrate they can constructively contribute to the future of the ranch.

Because there are widely varying positions as to what this future of should be, your vote will help determine the future direction and success of your ranch.

The full application and each candidate's replies will be posted on the POATRI web site. Owners will also have an opportunity to direct questions to specific candidates and their answers will be available on www.poatri.org

as well.

The ballot package mailed to owners must be condensed because of the cost factor of printing and postage. Therefore it will contain each candidate's biography and their position information on the Strategic Plan and other corporate documents.

DIRECTOR APPLICATION PACKETS

Application packets for the January 2007 Director Election may be obtained from the Ranch office by contacting Alida Lorio, General Manager, at opsmgr@terlinguaranch.com or 432-371-2416 x 203.

There will be three director vacancies to be filled at this election.

Official applications will be available beginning September 1, 2006. Application deadline is October 29, 2006 prior to the beginning of the quarterly meeting.

POATRI STRATEGIC PLAN

- *Fiscal responsibility*
- *Road rehabilitation programs*
- *Resort for owners & low-impact visitors*
- *Improved communication with owners*

FOR A BETTER TERLINGUA RANCH!



OPERATIONS REPORT FOR THE PERIOD ENDING JUNE 30, 2006

BY ALIDA LORIO, GENERAL MANAGER

Accomplishments during the last period:

- **Financial:** Second billing to 1553 accounts for \$362,682; identified 740 accounts to be turned over to attorneys for foreclosure, which represents a reduction in uncollectible accounts of 510 since Jan, 2006

- **Road Maintenance:** Cedar Springs dams delayed due to lack of water; Gate 4 project completed; parts of Solitario reworked due to heavy rain; Big Bend Valley and west North Corazones thoroughly worked; lower west section of Cedar Springs and west Cedar Springs road worked; Lodge area roads

- **Resort:** Water system repairs completed; occupancy down 3%, total revenues down 20%, gross profit and expenses down 15%, net loss is 16% less than end of period 2005; contract completed for 3-yr low-impact marketing program

- **Other:** 2005 Audit report completed and year end adjustments made; begin county/association plan for clean up campaign; TRIPOD design plan complete, review of new requirements begun

- **Significant Trend:** Property transfers continue to escalate; total membership increased from 4771 accounts Jan. 1st to 4859 accounts June 30th; 414 new accounts have been created

since Jan. 1st, with 326 old accounts becoming inactive, net gain of 88 accounts

Planned Accomplishments for the upcoming period:

- **Financial:** Additional interim billing of active accounts to enhance assessment collections and improve cash flow; second property auction

- **Road Maintenance:** Continued repairs to further reaches of Gates and Highway 118 area; Agua Fria; Cedar Springs and Jack Eden Mesa; Ghost Town and south 170; additional repair on Black Rock Creek crossing; begin repair to Sawmill Road behind Ghost Town; locate water source for Cedar Springs diversion dams

- **Resort:** Minor improvements to rooms continued for upcoming winter season; first stages of low-impact marketing program completed

- **Other:** Completion of legal research regarding assessment exemptions; completion of gate/barricade mapping; revamp of owner web site to enhance information flow to owners

Actions and ongoing issues that are being or need to be addressed:

- **Operations:** Road access issues; road dedication of last three miles; foreclosure proceedings; resort marketing

within Strategic Plan; continuation of collections efforts

- **Policy & Strategy - Board:** Continued improvement to owner communication in terms of Strategic Plan; consideration of long term capital and operational financing to stabilize cash flow and improve operations.

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

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.

TREASURER'S REPORT FOR THE PERIOD ENDING JUNE 30, 2006

BY DON BACKER, TREASURER

All indications are that POATRI is financially sound at the end of the second quarter, 2006, and will continue to improve as the new assessment structure stabilizes over the next two years.

Last December we invoiced \$608,472 in 2006 assessments. As of June 30, we have collected approximately \$330,000 in current year assessments, or 54% of billed 2006, and we are on track for our collection plan for this year. An unprecedented changeover of property ownership accounts somewhat for slightly delayed collections.

We have collected approximately \$41,000 in past due assessments this year. Everyone should remember that the goal of our past due collection program is to collect what monies we can, but that the real benefit is in transferring properties from those who do not pay the fees to new owners who do. Management

reports that our many new owners show real interest in POATRI and are paying their bills.

Overall expenses are 6% below the 2006 budget plan due to careful management of the operations. Resort revenue is down 3% from last year, most likely due to gas prices, but expenses have been controlled so that our deficit position is approximately \$35,000, or \$6,000 less than it was last year at this time.

Due to the commitment to our road maintenance operations, our cash balance at the end of June was only \$29,000, therefore we have authorized an increase to our line of credit to ease cash flow through the slow resort season. The 2006 line of credit debt of \$55,000 was paid in full by March 31st, which also affects cash flow for the upcoming period. A summary of our financial status is posted to the web site and included here, on page 7.

Following the 2005 audit, our

auditor reports that the financial records of the ranch are in good order and statements are compiled according to standard accounting practices, with no exceptions noted. The audited 2005 balance sheet and income and expense statement are posted on www.poatri.org.

The issue of accrual accounting versus cash collections seems to remain confusing to some of our owners, and it is, frankly, beyond the scope of this newsletter to provide a complete explanation. I have issued a number of statements on the web site and will continue to attempt to improve understanding. Accrual accounting is the accepted method of bookkeeping for corporations and assists us in tracking our assessment collections, our capital assets and our true cash flow. I have provided a "short course" checklist (below) and urge you to continue to monitor www.poatri.org for more complete information.

A Short Course in POATRI Accrual Accounting

- Prior to 2004 POATRI used an accounting system that operated on a modified accrual system. No accounting entries for billed Assessments were made until cash was actually collected. It was then recorded as income.
- As of 2004 POATRI moved to a full accrual accounting system, which is used by all corporations. In the accrual accounting system, we record the actual billing of customers for their annual assessment. This improves our ability to track collections.
- Property Owner Assessments are billed and recorded as Deferred Income just prior to the beginning of each new assessment year. \$608,472 was billed in December, 2005.
- One twelfth of the Deferred Income is then recognized as income each month over the year. For 2006 this figure is \$50,706 per month.
- You can reconcile the Deferred Income account to the Income account in this manner at any point during the year. Total Income plus the Deferred Income balance for the same period equals the annual total assessment.
- The amount of the Assessment billing is added to the Assessment Accounts Receivable when the Assessment is billed.
- Assessment Accounts Receivable is reduced as property owners pay their bills.
- Assessment Accounts Receivables is also adjusted, either increased or decreased, for amnesty and property transfer transactions.
- The TRIPOD system has a record of all property owner accounts and payments and is reconciled with the Assessment Accounts Receivable and Cash balances on the financial statements.
- TRIPOD also ages all the receivables and this information is used to manage collections.

HUNT COMMITTEE REPORT JULY 2006

BY JIM MILLER, HUNT CHAIR

There is not much to report for the 2006-2007 season, as Texas Parks and Wildlife has not yet released dates for this year.

However, in a follow-up to our notice in the January newsletter, we want to inform property owners that the game wardens and sheriff's office were able to identify and prosecute some individuals for poaching crimes that occurred both during and after season.

We want to remind everyone again that there are no hunting parks at Terlingua Ranch. You can only hunt on your own land or on land for which you have written permission to hunt. Everyone needs to know where their own property boundaries are located.

We wish all a good year and remind everyone to read and adhere to all state and Federal game laws. TPW Outdoor Annual Hunting & Fishing Regulations

is provided at all locations where hunting licenses are sold and are available at registration during hunting season.

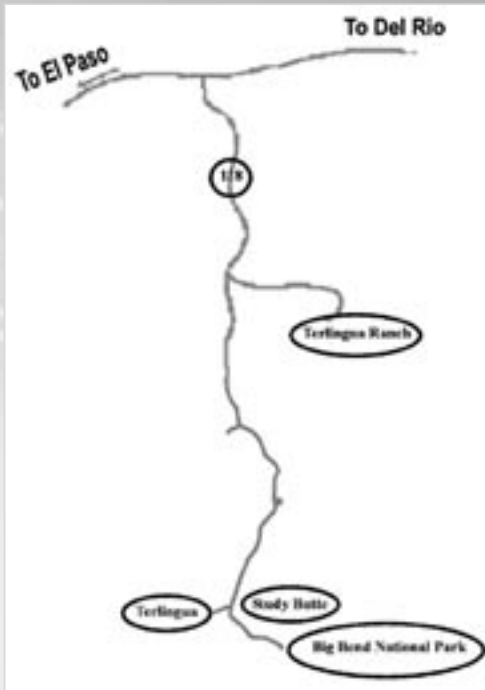
We also will be asking for volunteers to assist with hunting season to register hunters, operate the deer locker and provide any other assistance or information to help make this a safe and fruitful hunting season. A sign up log will be located at the lodge office beginning September 1.

POATRI FINANCIAL INFORMATION SUMMARY AS OF JUNE 30, 2006

	Assessment Cash	Supplemental Cash	Total Cash	Comments & Supporting Information
Cash Collected	\$306,137	\$128,475	\$434,612	\$608K '06 assmt's billed 12/05, \$65K collected 12/05, \$330K '06 assmt's collected (54%), \$41K prior years collected
<i>LESS:</i>				
Expenses Paid	\$204,345	\$146,878	\$351,223	Expenses 6% lower than budget annualized
Assets Purchased	\$21,906	\$0	\$21,906	Includes TRIPOD Software, road maint. vehicles
Long Term Debt Service	\$72,470	\$4,726	\$77,196	Repymt of Line of Credit, 2 Motorgraders, well property
Net Change to Cash	\$7,416	-\$23,129	-\$15,713	

Additional information as of 6/30/06:

Accounts Receivable				
Balance Comm From 2006			\$709,950	<i>This summary provides a snapshot of the status & condition of the corporation as of 6/30/06. We will continue to improve this report and present it in the newsletter. A complete set of financial statements is produced each quarter and made available to you at www.poatri.org.</i>
Assessments 2006 Assessments			\$277,803	
from New Owners			\$26,699	
Assessments from Prior Years			\$405,448	
Provision for Doubtful Accounts/Past Due			\$223,942	
Line of Credit Balance			-0-	



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.patri.org.

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



PO Box 638

TERLINGUA TEXAS 79852



RETURN SERVICE REQUESTED.