

A NON-PROFIT CORPORATION BOARD OF DIRECTOR'S MEETING

January 19, 2008

Present:	Joe Angelovic, Chairman Larry Watt, Vice-Chairman (Present by Phone) Kathy Dietz, Director (Present by Phone) Jan Jonson, Director Jack Petty, Director (Present by Phone 9:05) David Ward, Director Bruce Bates, General Manager Heather Bigelow, Office Manager
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The regular meeting of the Star Valley Ranch Association's Board of Directors was held January 19, 2008 in the Association's Library. Several Association members were in attendance. A list of the members in attendance is attached to the file copy of these minutes. Chairman Angelovic called the meeting to order at 9:00 AM.

Chairman Angelovic moved to amend the agenda to add to new business Weston Engineering's new request to drill a test well at the maintenance shop site. Director Watt asked to delete item 7.a. from the agenda. Director Jonson asked to delete item 7.d. from the agenda and add the SVRCC's DCCR self enforcement petition and the SVRCC's assessment petition (items 12-36 and 12-37) to the agenda. Director Watt seconded the motion. The motion was unanimously adopted.

Approve Minutes: Director Jonson moved to approve the minutes of the November 19, 2007 meeting as written. Director Ward seconded the motion. The motion was unanimously adopted.

Approve Minutes: Director Jonson moved to approve the minutes of the December 13, 2007 special meeting minutes as written. Director Ward seconded the motion. The motion was unanimously adopted.

Standing and Special Committee Reports:

Chairman's Report: Chairman Angelovic introduced our new General Manager Bruce Bates. He also requested that members come into the office and meet the new staff.

Today, while preparing for the Board meeting, I noticed there was very little for a Chairman's report. Because so much is being said about how little the Association does it seemed an opportune time to sit down and see if anything had been accomplished this past year. The

following is a partial list of projects. These are some of the things that came to mind readily without either researching the subject or asking other Directors for input so it is incomplete although I believe it shows much progress has been made.

2007 ACCOMPLISHMENTS

The Roads and Culinary water system were transferred to The Town
Roads were transferred under an Eminent Domain action while the Culinary Water System was sold for \$1.00 following approval of 75% of the members.

Completed a Wyoming Water Development Commission(WWDC)Level I Reconnaissance Study Of the community's water system. This study was necessary for the Town to qualify for Level II Development grants.

The Aspen Hills Water Conservation Project was completed at a cost of \$800K.

This project was important for several reasons from the Level I water reconnaissance Study engineers estimated this project will save up to 500,000 gallons of water a day for our community. Right now, contrary to some beliefs, the Association still supplies better than 50% of the water to the community and will continue to do so until the Town has developed adequate water sources. Our snow pack is below average. We have had water shortages the past two years. Voluntary water conservation measures were needed but now, with this project and with the Town repairing the worst of the 130 plus leaks that were identified in the distribution system, a shortage may not be as severe. More importantly, completing this project cleared the way for the Town to apply to the WWDC for Level II Developmental Studies and receive additional grants. Following the Level I Reconnaissance study we were told by the Director of the WWDC that they could not look favorable upon awarding grants to a community that was wasting as much water as we were and that they were aware the water was being wasted on the Aspen Hills Golf Course.

The SVRA retired the note for the Cedar Creek irrigation system and pool building in May.

We paid the final \$37K of attorney's fees for the 2002 Mueller vs. Cox lawsuit.

The Cook Shack renovation into a usable 3-season facility is almost complete.

Many groups on the Ranch including card players, bingo players, quilters, line dancers, potluck dinners. Family gatherings, etc. use the cook shack.

A Long Range Plan for the future of the Association was approved.

The plan is a living document that includes a goal, a method to set priorities for Projects and a process that must be followed to get projects approved.

Legal and Finance: The item for this committee has been the DCCR enforcement. The board received a significant number of complaints about non-compliant members, so it was decided to enforce the DCCRs more vigorously. A letter went out in September asking people to please read their DCCRs to see if they were in violation, and if they were to please comply. In early November a survey was taken and 193 letters of violation went out to people asking them one more time to comply or to contact the office explaining when they were going to be able to comply. Better than one half of members receiving the letter complied. The next survey showed about 40 people still in violation, indicating the majority has cleaned up. The problem facing us

now is that the process is slow and some who complied originally, have decided there was no substance to the notices and are again in violation so we still have some enforcement facing us. Our attorney wrote a letter in December advising repeat violators they had another thirty days to comply. That is where we stand right now.

The last item is that the DCCRs need to be revised. 2012 is when this revision can take place, which means we need to start work right away. We have the nucleus of a committee established and we will start work this spring. What we would like to have on the committee are a lot of people with ideas about what needs to change. We will be looking for a committee of 10-12 people, and would like them to come from the entire spectrum of interests on the Ranch. If anyone would like to volunteer please give your name to the office and the committee will be selected sometime this spring. The only requirements are the willingness to work hard and to make sure that there is enough communication so that all members of the Association have input. This will be a very labor intensive endeavor. We are making this verbal request now but we will also be putting this out on the email and anywhere else we can so that we can contact as many interested parties as possible.

Golf: Director Dietz gave the following report:

For the last three years I have been the Board member who oversees golf, and those three years have been an education. The most important over-riding conclusion I have come to understand is that, on the Ranch, golf must be viewed first and foremost as a business.

This philosophy the underpinning of the professional golf contract that I am going to speak about in my report today, and there's a lot to report since the document is 11 pages. Work on the contract began over a year ago. I will try to give you pertinent details of that contract and the rationale for those details. I will try to address the aspects that I think may be of most interest to you.

First, a summary of procedures followed.

1. The current contract was examined and used as the basis of the new one.
2. Recommendations were submitted from an ad hoc committee, which included a member, who owns a golf course; the golf committee, and the finance committee who outlined our budgetary limitations. The PGA representative in the Western area also assisted with localized input on salaries and duties.
3. Meetings were held with the Chairman and General Manager, and upon finalization, with the golf pro. The Board spent time discussion as well...

Type of Contract: We have established that contracting our golf operation and services is the viable financial choice for this organization. In this business model, the golf professional will assume the costs and responsibilities of staffing the pro shop, providing, marshals and starters, paying rent; all expenses he must bear. His employees are not our employees.

We are running a business that grosses close to \$400,000 annually, and for the past few years, revenues have increased, a trend we wish to continue. And most importantly the gap between

income and expense in recreation is diminishing. We have two courses for a total of 27 holes and the number of rounds played last year was close to 20,000. A major goal of the Association is to further increase revenues through more play. The major task for the pro will be to manage and to grow the business.

Length of Contract is three years and is performance based. 30 day reviews will be provided by the General Manager. Failure to perform can result in termination.

The question was asked as to why we would give a three year contract. First, the contract is only three years if performance standards are met and we have every confidence in our General Manager's evaluation process. Also we have asked the professional to personally invest in new equipment that will not be profitable for him for a couple of years. Thirdly, we are trying to develop long range plans for promotion, and continuity is an important part of the overall business plan.

The Stated Position Overview: The Head professional shall over see and manage the golf operations....shall work to promote "an exceptional golf experience" for members and visitors. The professional shall pursue avenues of additional golf income for the Ranch.

Specifics

There are about 20 specifics duties outlined in detail in the contract, along with the provision he will follow and adhere to the policies and procedure established by the Board. I will try to summarize them.

Provide and train all staff, attend Golf and Greens Committee Meetings, participate in reviews and staff meetings, manage rental carts, track customers and financials, manage tournaments, enforce rules and regulations, golf instruction, provide practice facilities including new equipment this year, market and promote the course, track and report financials, mark course, and empty trash on Sundays.

The Association also has designated responsibilities. They include a guarantee to rent him the space, provide phone and computer systems for processing SVRA business, 2 way radios, pressure washer and utilities. We are responsible for maintaining the rented space along with all golf facilities and providing golf carts for marshalling, a utility vehicle and ball picker for use on the practice range.

Compensation

The contractor golf professional will receive \$80,000 per year for contracted services.

Remember this means he has \$80,000 to run the customer part of the golf operation including salaries, rent, liability insurance, etc. We provide no health insurance, pay no Social Security or any of the other benefits or costs associated with employees.

The Professional will also receive profits of the golf shop sales and lessons. If money is made on the driving range this year after the purchase on his part of new equipment, he will receive that. The professional will be eligible for an incentive program Bonus of 20% over \$394,015, for the calendar year.

How do we know how much this job is worth until we put it out to bid is a question opponents of this contract have asked? We had some information related to us on some local courses, but the information on total compensation packages and the scope of responsibilities were never complete, so it was difficult to use that data as a measure. However, we have the result of the PGA Western States average compensation package to measure ourselves against. The compensation for Western States' comparable position salaries ran between \$60,000-\$70,000. (2005 figure presented by the PGA was \$62,000.) These amounts are exclusive of benefits which typically include education allowance, health insurance, dues, tournament expenses, etc. The personal golf pro compensation offered by our contract falls far below the averages.

This is a critical year for our business. We have a wonderful window of opportunity with an experienced pro with local knowledge who is willing to give us a strong commitment and a forward-looking program to increase our revenues. I believe the contract and the philosophy that shaped was the best financial decision and it will position us properly in the market.

Director Jonson moved to acknowledge their vote on the three year Golf Pro Contract publicly and Director Ward seconded the motion. Directors Ward, Petty, Watt, Brown, and Angelovic voted in favor of the motion. Director Jonson opposed the motion.

Green: No report was given.

House and Entertainment Committee: No report was given.

Long Range Planning Committee: No report was given

Utilities Committee: Director Ward asked to defer his report to Old Business item 6d.

Architectural Control Committee: Elmer Beck gives the following report:

We have 1 new start since the last meeting with a total of 23 for the year. That makes a total of 931 total homes. We have a total of 168 property transfers for 2007.

FISC III: Director Jonson gave the following report:

She stated that we have received approximately 560 consent to sell forms returned, and there are 10 or so more that have not been confirmed which leaves us 795 to go. She stated that there will be a consent to sell form in the Annual Newsletter that will be sent out in February. In March she will send out a letter to those who have not responded. The Mayor addressed this at the town council meeting stating the town does want to purchase this property.

General Manager's Report: Bruce Bates, General Manager gave the following report:

Introduction: I gave a brief introduction and biography of myself to the membership and Board, offering that a more detailed written bio was available to all members as a handout. I reviewed my open door policy to all members and how I would like to hear from members about their wants, desires and complaints. I expressed my enthusiasm to be here and to serve the association, through their elected Board of Directors, and to see that their assessment dollars provide the recreational value that they are collected for.

Golf Professional Contract: I expressed to the membership and the Board that it will be my duty to manage Eric Buehler's Golf Pro Contract to ensure its full value to the Association and for frequent reviews with Eric, so that he can maintain high standards and strong golf programs and revenues through his diligent work and fulltime presence at our golf facilities and Pro shops.

Financials: I briefly apologized for not being as thorough as their last General Manager; however I did go over the December Financials, showing that they were within the budgetary averages for the year. Also, that I had met with Dubisz CPA and was told that SVRA was in good shape financially as the Association heads into 2008. I stated that the administration staff would be busy with gathering information for the yearly audit over the next few months. The financial report below was available to the members as a handout sheet.

DCCR Enforcement: I informed the membership that the General Manager's office and staff would be fielding calls and letters about noncompliance to the DCCRs. That I would work with noncompliant members on a case by case basis, that enforcement

would be non-selective, however it will be prioritized as set forward by the Board. And that weather, snow load, and other various factors would be taken into consideration for any extensions of compliance timing. At this point in my report, the membership present and the Board choose to continue with a DCCR discussion beyond my acquainted knowledge and history of past grievances.

	<u>Dec 31, 07</u>	<u>Nov 30, 07</u>	<u>\$ Change</u>
ASSETS			
Current Assets			
Checking/Savings			
1000 - Wells Fargo Operating Account	1,408.07	6,504.39	-5,096.32
1002 - Wells Fargo Reserve Account	94,870.88	5,035.17	89,835.71
1003 - PayPal Account	-91.49	0.00	-91.49
1004 - Petty Cash	407.09	228.80	178.29
1007 - Bank of Star Valley Savings	3,323.31	3,323.31	0.00
1008 - Bank of Star Valley Checking	2,028.25	513.00	1,515.25
1009 - Bank of SV Short Term CD	154,817.43	154,817.43	0.00
1014 - Tennis Court Cash Reserve Fund	12,151.88	12,151.88	0.00
1070 - Long-Term CD Bank of SV	400,000.00	400,000.00	0.00
1074 - Short Term Reserve Investment	<u>286,807.68</u>	<u>316,393.45</u>	<u>-29,585.77</u>
Total Checking/Savings	955,723.10	898,967.43	56,755.67
Accounts Receivable			
1015 - Accounts Receivable	<u>11,552.73</u>	<u>11,532.88</u>	<u>19.85</u>
Total Accounts Receivable	<u>11,552.73</u>	<u>11,532.88</u>	<u>19.85</u>
Other Current Assets			
Other Current Assets	<u>73,109.66</u>	<u>23,713.24</u>	<u>49,396.42</u>
Total Other Current Assets	<u>73,109.66</u>	<u>23,713.24</u>	<u>49,396.42</u>
Total Current Assets	1,040,385.49	934,213.55	106,171.94
Fixed Assets			
Fixed Assets at Cost	3,874,213.60	3,828,861.12	45,352.48
1022 - Accum Deprec - Equipment	<u>-1,425,767.87</u>	<u>-1,405,476.87</u>	<u>-20,291.00</u>
Total Fixed Assets	<u>2,448,445.73</u>	<u>2,423,384.25</u>	<u>25,061.48</u>
TOTAL ASSETS	<u>3,488,831.22</u>	<u>3,357,597.80</u>	<u>131,233.42</u>
LIABILITIES & EQUITY			
Liabilities			
Current Liabilities			
Accounts Payable			
1101 - Accounts Payable	11,003.16	15,351.40	-4,348.24
Total Accounts Payable	11,003.16	15,351.40	-4,348.24

Other Current Liabilities			
Accrued Liabilities	123,617.10	72,685.84	50,931.26
Other Current Liability	192,408.27	149,821.92	42,586.35
2100 - Payroll Liabilities	10,285.72	8,901.73	1,383.99
2200 - Sales Tax Payable	-335.61	0.92	-336.53
Total Other Current Liabilities	<u>325,975.48</u>	<u>231,410.41</u>	<u>94,565.07</u>
 Total Current Liabilities	 336,978.64	 246,761.81	 90,216.83
 Long Term Liabilities	 	 	
Notes Payable	350,769.60	306,047.12	44,722.48
2119 - Long-Term Capital Lease	<u>159,297.85</u>	<u>159,297.85</u>	<u>0.00</u>
Total Long Term Liabilities	<u>510,067.45</u>	<u>465,344.97</u>	<u>44,722.48</u>
 Total Liabilities	 847,046.09	 712,106.78	 134,939.31
 Equity	 	 	
Net Worth	1,397,090.04	1,397,090.04	0.00
3000 - 2000 Net profit	-2.51	0.00	-2.51
3900 - Retained Earnings	675,302.24	675,302.24	0.00
Net Income	<u>569,395.36</u>	<u>573,098.74</u>	<u>-3,703.38</u>
Total Equity	<u>2,641,785.13</u>	<u>2,645,491.02</u>	<u>-3,705.89</u>
 TOTAL LIABILITIES & EQUITY	 <u>3,488,831.22</u>	 <u>3,357,597.80</u>	 <u>131,233.42</u>

	Dec 07	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense				
Income				
Administration Services	667.81	150.00	517.81	445.21%
Assessment/Transfer Income	70,788.91	69,423.20	1,365.71	101.97%
Donations	0.00	0.00	0.00	0.0%
Facilities Income	200.00	900.00	-700.00	22.22%
Miscellaneous Income	0.00	0.00	0.00	0.0%
Recreation Fees	0.00	0.00	0.00	0.0%
Utilities Income	0.00	0.00	0.00	0.0%
Utility Reserve Income	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>
Total Income	<u>71,656.72</u>	<u>70,473.20</u>	<u>1,183.52</u>	<u>101.68%</u>
 Expense	 	 	 	
Administration Expenses	32,467.23	34,874.75	-2,407.52	93.1%
Architectural Control Expenses	99.75	240.00	-140.25	41.56%
Facilities Expenses	7,326.94	5,195.00	2,131.94	141.04%
Golf	175.35	230.00	-54.65	76.24%
Green Expenses	13,865.83	9,159.00	4,706.83	151.39%
Security Expenses	-99.75	0.00	-99.75	100.0%
Utilities Expenses	1,233.75	21,885.00	-20,651.25	5.64%
6560 - Income/Expenses Capital Budget	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.0%</u>

6561 - FISC/Municipality Expense	0.00	0.00	0.00	0.0%
9888 - A/P Setup Account	0.00	0.00	0.00	0.0%
Total Expense	<u>55,069.10</u>	<u>71,583.75</u>	<u>-16,514.65</u>	<u>76.93%</u>
 Net Ordinary Income	 16,587.62	 -1,110.55	 17,698.17	 -1,493.64%
 Other Income/Expense				
Other Expense				
 Other Income/Expense	<u>20,291.00</u>	<u>20,290.00</u>	<u>1.00</u>	<u>100.01%</u>
 Total Other Expense	<u>20,291.00</u>	<u>20,290.00</u>	<u>1.00</u>	<u>100.01%</u>
 Net Other Income	 <u>20,291.00</u>	 <u>20,290.00</u>	 <u>-1.00</u>	 <u>100.01%</u>
 Net Income	 <u>-3,703.38</u>	 <u>21,400.55</u>	 <u>17,697.17</u>	 <u>17.31%</u>

Old Business:

- a. **Ratify Board decision to restrict \$30,225 for unfinished AH Designs & GPS:** Chairman Angelovic stated that we would need to restrict this money because the project will not be completed until spring 2008. Director Petty moved to restrict \$30,225 for the unfinished Aspen Hills Designs & GPS. Director Watt Seconded the motion. The motion was adopted unanimously.
- b. **Ratify contract approval for facility rental for Mountain Wellness Center:** Mountain Wellness Center requested that a change be made to the draft contract to change commencement date to March 1, 2008 from February 1, 2008 and to terminate on September 1, 2008. They also would like to change their name to Mountain Star Wellness Center. Director Jonson Moved to ratify the contract with the suggested changes for the rental of the two rooms downstairs on the south end of the Aspen Hills Lodge to the Mountain Star Wellness Center Commencing on March 1, 2008. Director Ward seconded the motion. The motion was adopted unanimously.
- c. **Ratify contract to lease Silo Restaurant:** Director Petty moved to ratify the contract of the Silo Restaurant to Chad Kilgora. Director Ward seconded the motion. The motion was adopted unanimously.
- d. **Underground tank update:** Director Ward reported that in review we have four underground fuel tanks located on Association property. Those tanks had never been reported to the state DEQ as required by both federal and state law. We discovered this last year and took action on it by registering them with the state and paying the back registration fees on them. We will be removing all the tanks from the ground as soon as the snow melts. The first tank is located at the cook shack, the second one is at the silo, and the last two are located at the maintenance shop. These are 500 gallon tanks and he is working with a contractor out of Pocatello to decommission the tanks. With

the help of the Town of Star Valley Ranch, we will pull these tanks out of the ground. Then the contractor will decommission the tanks and dispose of them. Once they leave our property they are no longer our responsibility. They will give us paper work that will release us from all liability. The dig will be supervised by someone from the DEQ and he will inspect it as we go and if any clean up is required the state will pay all the costs to do so.

- e. **Update on Policy Manual:** No update given

New Business:

- a. **Weston Engineering's new request to drill a test well on the common property at the maintenance shop:** Chairman Angelovic stated that we have received a new request from Weston Engineering to drill a test well. The last request was rejected due to the egress area, and a concern about knowing the geology and if the pesticides used on the golf courses could be a concern. The third reason was because there would need to be a well head protection plan around it and it might jeopardize the future use of this property. What has happened is that Ben Jordan the Engineer from Weston Engineering has explained that things have changed dramatically. The Wyoming Water Development Corporation has taken over and we received a new application. If it were possible to put the test well in the northwest corner of the lot the farthest point away from the golf course we would consider it for approval. The egress would only be large enough to get their equipment in and out. They are asking to do a Quantitative analysis of the geology and a Qualitative analysis of the water. When they have completed this the hole will be capped. This should lead to them knowing what the well head policy will need to be and whether there is any chance of contamination from the golf course. They will then make the choice from the four wells.

Director Ward moved to accept the request from Weston Engineering to drill a test well on Star Valley Ranch Associations common property at the maintenance shop. Director Jonson seconded the motion. The motion was adopted unanimously.

- b. **Proposal for quarterly newsletter:** Chairman Angelovic stated that due to a lot of misinformation he is suggesting that we put out a quarterly newsletter to improve communication on the ranch. It would be a much smaller version of our Annual Newsletter. It would be a four or five page fact sheet made available to the membership if they choose to read it.

Director Petty moved to accept the proposal to send out a quarterly newsletter. Director Jonson seconded the motion. The motion was adopted unanimously.

- c. **Dog run description change approval:** Elmer Beck asked if the following changes could be made to the dog run description in the SVRA Rules and Regulations, Architectural Controls Section 2. Architectural Requirements (q). Changes are Italics and bold.

Every residential structure may have an attached or detached dog run located at the back or sides of the house, provided that said structure is made of chain link, **or any other material that is approved by the SVRA Board of Directors and/or the Architectural Controls Committee. The structure can not exceed 128 sq/ft by 6 feet in height;** the plans for which must be submitted to and approved by the

Architecture Control Committee or Board of Directors prior to construction. Dog runs at the side of a house will be approved only when location at the rear is impractical. **Director Jonson moved to accept the changes made to the dog run description change in the SVRA Architectural Controls Rules and Regulations.** Director Ward seconded the motion. The motion was adopted unanimously.

- d. Consideration of the SVRCC petition to suspend enforcement of the DCCRs. Director Jonson moved to vote to suspend the enforcement of the DCCRs. Director Dietz seconded the motion. Director Ward voted in favor. Directors Jonson, Dietz, Watt, and Petty opposed the motion. The motion failed.
- e. Consideration of the SVRCC petition to immediately vote to repeal the 2008 Assessment increase. Director Jonson moved to vote to repeal the 2008 Assessment increase as requested by the SVRCC petition. Director Ward seconded the motion. Directors Ward and Jonson voted in favor. Directors Petty, Watt, and Dietz opposed the motion. The motion failed.

Adjourn:

Director Watt moved to adjourn the meeting. Director Jonson seconded the motion. The motion was unanimously adopted. The meeting adjourned at 10:57 AM.

Joe Angelovic, Chairman

Larry Watt, Vice-Chairman

Carl Brown, Secretary-Treasurer

Kathy Dietz, Director

Jan Jonson, Director

Jack Petty, Director

Dave Ward, Director