

SANDERSON

LAW OFFICE

JAMES K. SANDERSON
MICHAEL D. ALLEN, ASSOCIATE
GARREN A. STAUFFER, ASSOCIATE

October 14, 2014

Board of Directors
Star Valley Ranch Association
HC 62 Box 7008
Star Valley Ranch, WY 83127

Dear Kirk and Members of the Board:

Except where noted below, I am in concurrence with Mr. Hess' Opinion and Analysis.

I. How do we establish assessments going forward?

As you know, there are discrepancies in the base line established for the calculation of the assessments between several of the sets of covenants and the Association's Bylaws. Several of the directors have voiced concerns that the Association may be liable to refund any overages paid by lot owners. There have been concerns as to how far back the Association would be liable for overages.

Covenants are contractual in nature and interpreted according to contract law. The Wyoming Supreme Court, in our recent case, has held that "each of the covenants remains applicable only to the plats listed in its Exhibit A." See *Star Valley Ranch Ass'n v. Daley*, WL 4628568, Wyo. 2014. The statute of limitations on a contract in Wyoming is ten years. Theoretically, the Association could be liable for overages paid dating back to 2004.

Article VI, Section 6, of the Bylaws state that assessments are to be fixed at a "uniform rate for all lots.". In *Goglio II* (See *Goglio v. Star Valley Ranch Ass'n*, 48 P.3d 1072 (Wyo. 2002)), the Court explained that the DCCRs are in the nature of a "constitution" which delineate general rights and obligations, while the By-Laws are like "statutes" or laws that help govern the daily operation of the Association. Each of the sets of covenants contain the same, or similar language as is contained in Article VI, Section 6 of the Bylaws.

Given the recent decision of the Wyoming Supreme Court there is an obvious issue as to which document or clause governs. You as the Board of Directors are in a difficult position. Do you follow the formula given for each set of covenants, or do you follow the direction given in the bylaws? It is my opinion that the Association should continue to assess all the lots at a uniform rate, as given in the Bylaws. The Board may want to seek a declaratory judgment in this matter.

II. Structures and uses were allowed during the period the “new” covenants were in place – which changes should be “grandfathered” and which should not?

The Association and the property owners acted in good faith, in reliance upon the covenants that were in place at the time, in application, approval, and construction of the improvements. It is my opinion that everything that was approved and constructed during the time that the new covenants were in place, should be grandfathered. The Association management should create a system to keep track of each of these cases. An affidavit, or a letter, signed by the chairman of the board would be, in my opinion, sufficient to memorialize the change.

III. What can the Board do about recreational vehicle parking?

The Board is obligated to follow and enforce the covenants. The Board can choose how they enforce the covenants and can choose how they remedy the situations. This applies to the provision of additional parking in the common areas. The Board has explored the use of the airport area as a site for the members to park their recreational vehicles. I think this option should be pursued by the Board.

I am not clear as to what you mean about the parking areas and permit policy.

IV. How long do we have to wait to attempt to change the covenants again?

The covenants all contain a 20 year wait provision, and a 6 month window prior to that 20 year anniversary in which to complete the work of changing the covenants. I have been of the opinion, in the past, that there may have been an ambiguity in some of the covenants. In light of the recent ruling, I do not feel that the ambiguity is as helpful to change the covenants as I once thought.

Once again, this could be an issue the Board could take before the court seeking a declaratory judgment.

V. What are the issues that the Board need to be aware of that may create additional legal challenges?

Mr. Hess and I disagree as to whether or not the Board has the authority to make the Barn/Silo improvement and to contract debt for the construction, or repair, of the same without the vote of the Members. I think this is another issue wherein a declaratory judgment should be sought.

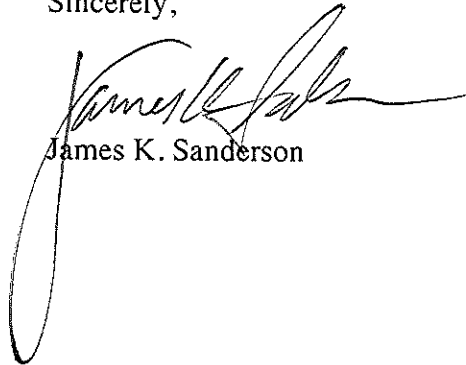
Board of Directors
Star Valley Ranch Association
October 14, 2014
Page 3 of 3

As has been stated above, I am of the opinion that the interpretation of the Bylaws v. Covenants is a very large issue. I urge the Board to take this issue before the court for interpretation. As other issues come up, I would be happy to answer questions or look for answers at the Board's direction. I am always of the opinion that enforcement should be few and that those who are in violation should be given a reasonable amount of time to comply before any actions are taken.

I have not had any experience with a plat representative. I will leave that issue for Mr. Hess to answer.

I feel that it would be best to discuss these items in executive session. I do not see how an open forum where questions can be misinterpreted and answers misconstrued would be helpful for anybody.

Sincerely,

A handwritten signature in black ink, appearing to read "James K. Sanderson", with a large, looping flourish extending downwards and to the left.

James K. Sanderson

JKS:cls