

July 16th, 2024

To Our Valued Partners at R-Ranch Property Owners Association:

We understand that change can be hard, and we are truly sorry for the stress these changes are causing to Owners and employees. We want to assure everyone that the Board is not just haphazardly implementing these changes. R-Ranch did not end up with reduced ownership and financial challenges overnight and this has been in the making for a while, mostly prominently influenced by the Klamathon Fire in July 2018. Since then our fire insurance costs skyrocketed and this combined with declining membership and dam removal fears exacerbated the situation along with the loss of many long-serving staff. Ownership has been on the decline for over a decade and R-Ranch must adapt to the current situation and implement strategies to increase revenues to continue to provide exclusive access to outdoor recreational opportunities for its ownership.

In the short term this will mean making budget choices that may not be popular with some Owners and unfortunately, budget concerns forced us to start taking some actions at a not ideal time, and without having everything in place for a smooth transition.

Looking to the future we want to pave a roadmap to increasing ownership, increasing employment opportunities that are competitive in their wages, and offering training and opportunities for advancement for our employees. This will take time and we need to live within our budget, but we want to look to the future as one of growth for R-Ranch. There will be other areas that will see cuts as part of this process, and we will be working on this in upcoming work sessions to ensure transparency.

There are a lot of blatantly false narratives, rumors and personal attacks circulating around the Ranch perpetuated by a vocal few. Please keep in mind that no one outside the Board, including former employees and former Board members, knows the current situations that the current Board is facing. Please keep in mind and understand the damage and hurtfulness that spewing unfounded nonsense can do. Please stop it! Be informed and look for facts not "I heard....". Please do not be a part of it. Ask for facts before buying into a false narrative.

The budget is a top priority and with sales not reaching projections, the Board has opted for lay off of the Office Manager and we are in the process of revisiting the budget approved in October 2023. The Office Manager was one of two Board supervised positions R-Ranch has. The Board has not laid off or fired any employees that are under the supervision of the General Manager. This includes the office member who resigned from their position despite the General Manager's unanswered attempts to contact and try to find a resolution.

The Board would like to give a huge heartfelt "Thank you" to Emilie Simmons, the Board Secretary, for all the work she has been doing on the Board and for R Ranch's behalf. This all has been done as a volunteer and this work goes far beyond what normal secretary functions are and she has taken on a lot, giving up precious time with her family and children as a result. Whether it is taking and transcribing the notes from meetings, working tirelessly on the Marketing Committee and sales events from setting up, organizing and participating, helping move the rebuild effort forward through working on permitting, and other activities associated with the project, and working on Board projects. These are but a few of the many things that she

does. Please do not be surprised to see her helping Heath out at the office as he moves forward with getting bookkeeping services. Emilie is volunteering there at the direction of the board and has the full support of the Board as well as full support from our General Manager. She is there as a volunteer, temporarily assisting Heath in getting things set up and ready as he moves towards getting bookkeeping services in place.

The following are some of the things we face, and what we have done, are doing, or are planning to do to address the issues:

Owner Retention: Owners have been turning in their shares at an alarming rate this past year. We've prioritized Owner Retention, and many of the actions we are implementing are meant to improve things so that Owners will want to stay. This includes the Owner retention projects. These are small things meant to improve the visual appearance and functionality of R-Ranch that have been identified by Owners through survey and meeting feedback. Volunteers have been a key part of delivering this effort. Improvement Projects to improve the aesthetic beauty and functionality are important.

The rebuild effort continues to move slowly as we try to navigate the permitting complexities associated with the project. Despite rumors we have not lost our deposit on the Tuff Sheds. We have received the sign-off from the county building department for the use of the Tuff Shed cabins. The next step the state is requiring for the permitting process is submitting the plans to the State Fire Marshal for consideration.

The Board is committed to creating the opportunities for recreational experiences with an emphasis on positive experiences for existing Owners.

Rule Changes/Enforcement: We hear from a multitude of Owners three distinct messages: 1) that they want us to change the rules, or 2) that they don't want us to change the rules, or 3) that they want us to enforce the rules but...". We were requested by the staff and advised by legal counsel to update the rule book to make it easier to understand the rules and enforce them. We also made very few changes to the rules because we were trying to respect the wishes of most owners. This was difficult and we did not achieve some of the changes that are likely the most warranted to achieve a balanced use and access. Looking back over the history of R-Ranch, the stay limits and away times have changed drastically from what was originally in place. Finding an approach that better fits with today's world and wide-variety of use patterns by the Ownership is extremely difficult but we must keep looking for that sweet spot that balances the variety of uses and time stays with accessibility to camp sites for all Owners regardless of geographic distribution.

We have completed the Owner's Handbook (Brown Book), and we are working on the CC&RS and By-laws (Red Book). The attorney has advised that the Red Book rules are outdated and contain a lot of requirements from Davis Stirling Act that don't apply to an organization such as ours. To change the Red Book there **will need to be a vote of the Owners in support of that change. This is not something the Board can do without that. It is up to the Ownership.** To this endeavor we have had this as a topic at Board meetings since late last year and developed a survey for Owners to provide us feedback so we can focus on areas where there is Owner support for change. If we are able to bring revisions to Owners for a vote, we

want this to be very transparent as to what is being asked to be changed and why (pros and cons).

We are focused on positive changes that help R-Ranch like addressing the absurdly high fire insurance costs, developing additional revenue sources and removing legal requirements associated with Davis Sterling.

To dispel any rumors, the Board is working to ensure a bright future for R Ranch and not trying to close R-Ranch.

Reorganizing our Staffing Approach: At Board meetings and via written submissions the Board hears from Owners that are unhappy. A frequent complaint is that Owners bring something to the attention of the Board or the staff and nothing is done. We determined that part of the problem is the General Manager is overloaded with responsibilities and duties.

In accordance with our governing documents, we have decided to hire a team of two managers instead of just one General Manager. We believe having 2 managers with separate areas of responsibility will allow more prompt response to issues that Owners bring up as well as provide the opportunity to be more proactive in maintenance and new project development and implementation. The two managers would split the main work areas associated with maintenance, projects, security, groundskeeping, sales, marketing, business operations, owner retention, cleaning, services, etc. These two positions, while separate, would coordinate closely to make sure Owners enjoy the highest possible quality of facilities, recreational experiences, and customer service experiences, as well as having a robust marketing and sales program for recruiting new members.

Sales and Marketing: We want to initiate and manage interactions with potential owners to create and promote a positive R-Ranch image. This will require a dedicated team and supportive management with a consistent and focused approach to developing, maintaining, adapting and delivering a highly effective and impactful program. Making effective utilization of the sales and marketing budget will lead to a better return on this investment. A strong marketing program will be key for identifying and recruiting new Owners.

Showcasing the unique features and opportunities that R-Ranch provides and expressing that value to potential Owners will help to tell a compelling sales narrative. We want to make the purchase process as easy as possible while making sure that sales policies and procedures are done in accordance with state law.

Fiscal Responsibility: To ensure that our spending is in line with our current income, the Board is re-evaluating the budget prepared for 2024 and will be making revisions based on revenues and expenditures. Sales have not been close to the optimistic level originally envisioned during the budget adoption process and the Board is revisiting and making course corrections to be more in line with the current situation. This process will have transparency through discussion in upcoming open Board work sessions.

The office uses QuickBooks and has moved to the online version of QuickBooks in the last year. Moving to integrate the full functionality of this has been slow but once it is accomplished a lot of efficiencies will be realized, freeing up time formerly spent on redundant, duplicative entry. Access to QuickBooks support services and training opportunities will see a more consistent

approach to problem solving and enhance the working relationship and tax and audit products produced by our CPA.

Over the years several hundred shares have become severely delinquent. Some were due to owners passing away, some are owners that we no longer have good contact information for, and some are owners that are in collection. Members of the Board met with staff and the attorney and developed updated delinquency and collections policies and a new information form for owners to complete each year. By doing these things we will have good contact information on file for all owners and the new policies will help owners keep their accounts current, all of which help the Ranch bottom line. We are working on a mechanism with legal counsel to get back the delinquent shares in one legal motion. This will require a vote of the owners so please stay tuned.

Additionally, we have tried hard to reduce our risk of litigation against R-Ranch. As you know Owners have sued the Ranch in the past resulting in more costs to the Ranch. Some of the actions we have taken include working with the attorney to develop one all-encompassing liability waiver for guests and owners to sign before using the property. Another thing we have done is work with the attorney to ensure that elections are held in accordance with our governing documents. We also have required that the annual information that Owners are entitled to is all on the website for review. Things like the budget, reserve study, quarterly financial reports, minutes, insurance policy, delinquency policy and more are all readily available on the website once you sign-in to the Owner/Member Portal.

In closing, the Board appreciates your patience and understanding as we work through issues facing us all. We are optimistic for the future and have not taken actions lightly or without a great deal of deliberation. We strongly feel that once the pieces are in place R-Ranch will be running better and be stronger than ever.

Sincerely,

Mark Grenbemer, President

Mark Osborne, 1st Vice President

Emilie Simmons, Secretary

Curtis Hancock, Treasurer

Travis Morgan, 2nd Vice President

Bridget Hayes, 3rd Vice President

Pat Chase, 4th Vice President