

STATEMENT OF CHAIR OF THE BOARD REGARDING ANNUAL MEETING
August 28, 2015

Good morning. Before we begin the formal business of this meeting and the election of board members, I want to explain why the date of the election was moved. There may be some rumors or other information circulating and I want to make the events of the last several weeks clear to everyone.

Earlier this year, around March, materials for the annual meeting including proxies for voting in the Board elections were prepared and sent to a contractor to mail to the members in anticipation of the meeting to be held on June 13, 2015. Traditionally, actual in-person voting is fairly steady and predictable. Here at the meeting in June, everything appeared to be proceeding as usual. However, a member of the committee appointed by the Board to assist with counting the election results reported that the number of ballots received by mail was significantly lower than the number usually received. As a brief sidebar, one of the nice things about this organization is that our members are interested in what goes on and when there are elections we see great voter turnout.

We looked into the notices and the mailing right away. We found out what the problem was. Specifically, the mailing company sent the packets by U.S. Mail, Third Class, instead of First Class, which is how previous notices were sent. First Class mail is the usual business and personal mail that most of us are familiar with. Third Class postal rates are applicable for “media,” that is books, pamphlets, and the like. It is arguable that the notices and materials in the packet may not have truly qualified as Third Class mail. Nevertheless, the real problem seemed to be that many Members never received the mailing at all. Third Class mail is less expensive than First Class it is slower, but also is because materials mailed Third Class are not forwarded or returned to sender. So, if Members are used to having mail forwarded to a current location, these notices probably didn’t get there and we had no idea ahead of time that there was any issue because undeliverable notices were not returned to us.

The bottom line is that it was abundantly clear that many Members who usually participate in our Board elections didn’t because they probably never received the notice. The ability of our Members to participate is of the utmost important to the Board and our desire was to rectify the situation to make sure Members had a reasonable chance to vote.

Accordingly, we made the decision to take steps to effect a “Do Over” of sorts. Originally, I used the term “invalidating” the election, but, from a legal standpoint, the entire June meeting, and any action taken at that meeting was void due to a lack of proper notice due to the Third Class mailing. Clearly, many members didn’t get the meeting notice and ballot they were used to receiving. Faced with that dilemma, before any election results were announced, The Board reached a consensus to re-notice the election to coincide with the August quarterly meeting.

One Member approached the Board taking issue with this decision. I don’t want to go deep into the details, but permit me to characterize those concerns as saying the Member didn’t think the Board was strictly following the letter and the spirit of the By-Laws and state statutes. The Member demanded the Board obtain an opinion from legal counsel to support its decision to re-notice the annual meeting and conduct the election at that time. Unfortunately, the complaining Member, on his own, consulted with a lawyer acquaintance who happens to be affiliated with the law firm we use for Hart Ranch’s legal work. This created a conflict of interest, forcing us to seek assistance from another firm. We did so, and the Board is comfortable that it is proceeding in the correct and proper manner this morning.

Given the conflict that developed and the demands for attorney involvement, the full explanation about the situation had to wait until the Board could meet personally with legal counsel to review the situation. The Board did so Thursday night and adopted a resolution to clarify its decisions.

The resolution adopted by the Board has five parts, as follows:

- (1) It formally ratifies the Board's previous consensus that the June 13, 2015, meeting and action taken at it, including the election, is void for lack of proper notice to members and reschedules the election for this meeting.
- (2) It states the ballots from the June 13, 2015 election are to be retained and securely held until further direction from counsel.
- (3) The Board decided it best to dissolve the Validation Committee that had been appointed to review, validate and tally the results of the June 13, 2015 election. Those members are sincerely thanked by the Board for their service.
- (4) A new Validation Committee was appointed for this election. And,
- (5) The Board is also directing that the ballots from this election will be securely retained until further direction from counsel.

A brief explanation on reappointing the Validation Committee. It is fair to say that what the Board wanted was to avoid any appearance of a conflict of interest and wanted to avoid any further hard feelings. The most important thing for us all to do is to get this election conducted fairly for the candidates, the Members, and carry on with business of the Resort.

The Board adopted the resolution on a vote of 4 yeas, 0 nays, and one Board Member abstaining.

I know there are some hurt feelings over recent events. A lot of ink has been spilled on this issue and it has eaten up time and money. It has caused some sleepless nights. But at the end of the day, the decision to "Re Do" the election has had the ultimate result of allowing our Members to have their voices heard with their votes, and that's what this is all about. And the fact that today we have 1,216 proxy ballots received as opposed to the 849 received for the June meeting is about all the proof anyone should need to feel better about the decision.

Thank you for our patience and your understanding with this process.