

Approved as is
per Ken

R-RANCH AT THE LAKE
BOARD OF DIRECTORS MEETING
APRIL 21, 2007

The meeting was called to order by president Ken McArdle at noon.

Present:

Ken McArdle	President
Steve Love	2 nd Vice President
Randy Apoian	3 rd Vice President
Nellie Cutright	Secretary
Mark Bendick	1 st Vice President/Treasurer Absent

Mike Mooney led the pledge of allegiance.

Ken made an opening statement regarding an e-mail sent out by a board member regarding his informal handling of board meeting and being out of control and felt Roberts Rule should be applied. Ken stated that with Roberts Rule members of the audience can only speak at open forum and he feels they should be able to participate throughout the whole meeting. Ken made a statement that we are not a CID and this should be a closed subject. Randy spoke in favor of the CID's. Gene McCracken owner 147 also spoke regarding the CID's and why he feels we are.

The minutes from the last board meeting and four executive meetings were read. Ruth McCracken owner #147 requested a correction to the Jan. 20 minutes under open forum. The statement possibly by an attorney was deleted and the minutes were approved as amended.

TREASURES REPORT:

Operating	389,665.52
Reserve	328,716.33
TOTAL	718,391.65

RANCH MANAGERS REPORT;

Power upgrade in the loop has been completed and 23 more campsites with power have been added.

A map of the campground power will be completed this year. We budgeted \$26,000. for the project and spent \$15,000. a savings of \$11,000.

Repairs were made to the cement deck around the pool by ranch employees.

Problems were found in the surge tank causing some water loss.

The cracks in the pool liner were repaired. We still have to paint and repair the Lani. We have to buildup the reserves to redo the pool in about two years.

The fire truck was upgraded to a 1400 gal. water tank up from 700gal.

We will need to upgrade the snack bar and lodge fire extinguishers over the grills in 2008 for about \$5000.

STABLE REPORT;

We have 46 ranch horses and 31 owner horses.

COMMITTEE REPORTS;

Equine Ad-Hoc.

No meetings due to this being the off season. The committee has purchased 6 new feeders as a trial in pasture D/

Safety; Vicky Love

The safety helmet rule is in effect. More sand is to be placed in tot lot.

Teen:

The teen committee is now combined with the Kiddin Korral committee for kids 18 and under.

A teen dance is planned for the July 4th weekend. A DJ has been hired.

The Kiddin Korral had a very fruitful meeting with the board last week. Many items requested have been approved.

Asked if the board would consider letting Maggie birth on the ranch, Ken said the board would look into it.

Boat Committee;

No report.

Campground Committee:

Ken read a letter from Dan McCarthy stating he was resigning as the campground president. The board asked Mike Mooney to reconstruct the committee.

Cabin Committee: Ruth McCracken

The committee held its first meeting in Feb. and the second in April with the next meeting on May 26th in the lodge. The minutes are posted on the ranch website. Paul was asked if the storage lockers in 44 & 45 could be extended about 18 inches more and it would be nice to have an outside sink to separate cleaning mops and dishes. It would also be nice to have a small wooden platform to hold items next to the outside sinks.

Holding Area Committee: John Scannell

The holding area committee was given permission by the board to have a special election on March 31st. to approve a holding area. John felt the project was sabotaged by the board with postings on the R-Ranch website and Yahoo undermining the project. On March 31st the votes were counted with a 2 to 1 approval with more votes cast than in any other election. Final vote 480 yes to 228 no. The board and pridmores are in the process of finalizing an agreement to roll back the storage fees to \$300 for R-Ranch owners. The holding area committee will not proceed with the project during the current year per agreement.

OLD BUSINESS;

None

NEW BUSINESS;

Candidacy rules were established.

June 15th is the deadline to file for candidates wishing to run for the board.

July 19th is record date for election.

August 18th is election date.

Pridmores proposal is in progress tabled till july.

CORRESPONDENCE;

A letter was read from owner #782 supporting Kiddin Korral.

OPEN FORUM;

Owner #147 spoke briefly on CID.

Owner #1687 asked permission to have flower birth on the ranch. Ken stated he will consider it and get back to him.

Owner # 114 asked about purchasing a new bingo machine or have maintenance fix this one.

Owner # 1589 Talked about harassment on the Yahoo group and Robins Goats.

The meeting was adjourned at 2:35 PM.

Next meeting is July 21,2007 at noon.

Respectively
Nellie Cutright
Secretary

TREASURERS REPORT

4/21/07

1. Cash Report

A. We currently have \$389,665.52 in the Operating Account.

B. We currently have \$328,716.33 in the Reserve Account.

I have made the required reserve transfers through June of 2007. I transferred on 12/24/06 \$25776.00 check number 31336 for January – March. I made a second transfer on 4/14/07 \$25776.00 check number 31737 for April through June.

2. Collections

A. At the beginning of the year we had 1434 current paying owners. At this time we have 1383 current paying owners. We have a 96 percent collection rate. The other 4 percent are being contacted to work out payment arrangements. We have sent them letters, called them on the phone and we are now at the point of turning them over to the collections agency. We get a fifteen day pre collect grace period before we have to give a percent of the collected funds to the collection agency.

We currently have: 710 owners paid in full.

453 owners have paid the first half.

220 owners are on a payment plan.

51 owners that are delinquent for 2007.

3. Budget Vs Actual

At the present time we are running \$60,000 under budget. We have most of our major projects ^{are} completed.

4. Review

I met with Tony D. from the CPA Firm on Thursday and provided him with the necessary information so he can complete the Review. We plan on having it in the mail by 4/30/07.

5. Public Report

Our public report expires in August. Mark and I will be working on it this summer so that it is turned into the Department of Real Estate on time.

6. Reserve Study

We will be taking a close look at our reserve study during the year to make sure that our useful life and our replacement costs are as accurate as possible.

Why R-Ranch at the Lake is a Common Interest Development

Gene McCracken, Owner #147

Delivered at the Board of Directors Meeting 4/21/07

1. My background: Hello everyone, I am a Licensed Real Estate Broker of 35 years, now retired. I was a member of the original sales staff of R-Ranch at the Lake in 1982-83 during its opening sales. I have considerable knowledge of the origins of the ranch. I have also been involved in the sales of numerous condominiums, PUDs and stock cooperatives. These are other forms of common interest developments, so I also have a variety of experiences with the requirements of owner associations

2. Brief description of Davis-Stirling: In 1985, the Davis-Stirling Act established rules for owner associations. It was created to protect owners and members of associations and to provide board members with a path to properly manage their associations.

3. Clarification of the comments at the Jan 20th Board of Directors meeting: At the close of the last BOD meeting, there were some comments presented about our CID status. These include:

a) The comment was made that we are not a Common Interest Development or CID, but are Tenants in Common or TIC: Tenants in Common is simply one of five methods of holding title to real estate. Tenants in Common is defined as undivided interest so it does create some confusion. Common interest is most often conveyed as undivided interest. Our shares are deeded as 1/1800 undivided interest which represents our common interest. CID status requires more than a simple deeding. CID requires membership in an association and separate interest. We have both.

b) A comment was made that R-Ranch at Hornbrook is going broke due to following the Davis-Sterling requirements: After the January BOD meeting; my wife, Ruth, called Bill Duran, one of the members of the board of directors at R-Ranch at Hornbrook. He was quite surprised about the comment, saying they were not having financial difficulties due to Davis-Stirling. He said they have always been considered as a CID and have no plans to change.

c) Regarding the comment that we would have to mail out all rule changes at great added cost to the ROA: Again, Ruth called both Bill Duran and Denise Breese from R-Wild Horse Ranch and they both stated that rule changes are posted in the lodge immediately, and then entered into the next newsletter. R-Wild Horse Ranch is currently in the process of returning to its former CID status.

d) We were told that we would never be able to elect officers as we barely can get a quorum, and never a majority to vote: Davis-Stirling does not give a required number of votes required for board elections. Our By-Laws allow for the transaction of regular business by a quorum, or 25%, including the elections of board members.

4. Why we got interested in our CID status: Over a year ago, there were several committee reports in the newsletter that we became interested in. We started attending meetings. This is

when we learned that our CID status had been removed in 1999. I was totally shocked as the CID status was my comfort zone that the ranch was being properly managed. As a real estate agent, I was aware that part of the documents, specifically the Public Report, we gave to buyers very clearly stated that R-Ranch at the Lake was a Common Interest Development. Also, we knew that we had never been asked as owners to vote on this issue.

I wrote to Ken of my concerns and he promptly responded that the Department of Real Estate (DRE) had changed it. This and other parts of the explanation did not really answer my concerns.

5. Our question to the DRE: As a result, I wrote a letter to the Department of Real Estate, a copy of which is available for you to read. For six weeks, there was no reply, so I wrote a follow up letter. Again no reply. So I called, first to Chris Neri, Assistant Commissioner, Subdivision Section, then Chris Neely, Deputy Commissioner of the DRE. Both were very guarded in their replies, and would not make a statement regarding how and why the change was made. They did say however, that they do not make changes to the Public Report unless there is a request. They both said we should obtain an attorney's opinion as to the matter.

6. Letter of Opinion from Steven McCarthy: With this in mind; we have obtained a Letter of Opinion from Steven McCarthy, an attorney specializing in Real Estate and Common Interest Law and instrumental in the return of R-Wild Horse Ranch to CID status. You have a copy of this opinion and it clearly defines the reasons we are a CID. It concludes that because the actions of the DRE and our BOD were improper, and an owner vote was never taken, that we are still a CID.

7. Moving Forward: We cannot, without much turmoil, correct the past. But, we can correct the future. As advised by Mr. McCarthy, the board should set out at once to reinstate our CID status in our next Public Report due this coming August. We have provided the Letter of Opinion and do restate that there was never an owner's vote to support the past action.

Also, the board must now address the issue of inconsistent owner designation. (i.e. those who bought before 1999 and those after 1999 until today.)

8: Informational Workshops: Maybe all of this is very confusing to you. Randy Apoian, your board member, has been working to establish some Town Hall or Informational meetings featuring board members from the other ranches to help discuss their status with you. I will also be available to answer questions over Memorial Day and 4th of July.

Today, Laura Bohler, Randy, Ruth and I will be happy to answer any questions you may have. Laura has collected a series of documents related to our original CID status as defined by our original Public Report, the changes that were made, and our current Public Report with all reference to CID deleted. They are very definitive. They are available on a website set up by Laura, which you can access at: <http://briefcase.yahoo.com/tlvdatsi@pacbell.net>, or her e-mail at: tlvdatsi@pacbell.net.

Thank you for your kind attention. Action is now foremost and education is the key. Please join us through knowledge to get this Ranch back on track!

STEVEN B. MCCARTHY
SCOTT E. RUBRIGHT
SHAWN T. MCCAMMON
EMILY L. FRIES

*ALSO ADMITTED IN
COLORADO AND WYOMING

MCCARTHY & RUBRIGHT, LLP

ATTORNEYS AT LAW
100 RIO STREET, P.O. BOX 190
RED BLUFF, CALIFORNIA 96080-0190
TEL (530) 527-0213
FAX (530) 527-7641

MRLAWI@SBGLOBAL.NET

ROBERT E. MCCARTHY
1920-2005

April 18, 2007

Mr. Randy Apoian
664 El Caminito
Livermore, CA 94550

Re: Status of R-Ranch at the Lake as a Common Interest Subdivision

Dear Randy:

This letter will confirm our telephone conference Thursday, April 5, 2007. You, along with Gene and Ruth McCracken and Laura Bohler, who were present in my office, raised several questions with respect to the undivided interest subdivision in which you are all members, known as "R-Ranch at the Lake." You advised me that you are a member of the board of directors of the R-Ranch at the Lake Owners Association, Inc., a nonprofit mutual benefit corporation and that there is some confusion among board members due to conflicting Public Reports whether or not your subdivision is a common interest subdivision subject to the Davis Stirling Act. You have asked our firm for legal clarification.

I have reviewed the initial Subdivision Public Report for R-Ranch at the Lake and the 1999 amendment and renewal, along with your CC&Rs and Bylaws. In addition, I have reviewed a packet of documents compiled by Laura Bohler relating to the deletion in the 1999 renewal of the Subdivision Public Report of all reference to your undivided interest subdivision as a common interest development. The current Public Report expires in August of this year, making timely your quest to resolve this issue now. It is unclear to me why the California Department of Real Estate (DRE) would change the characterization of your undivided interest subdivision from its original designation as a common interest development unless directed to do so by the developer or the board of directors of the owners Association. Without attempting to solve that mystery, you have asked me for my opinion as to whether or not R-Ranch at the Lake is a common interest development (CID) and, if so, whether the deletion of such reference in the current public report affects its status as a CID. In short, you are a CID and regardless of the change in the public report, you remain a CID.

By way of background, I have been representing owner associations and common interest developments since 1975. I have seen many variations of common interest developments and many variations in the make-up of the boards of directors of the associations charged with managing those common interest developments. I also have experience with undivided interest subdivisions such as yours, which as you likely are aware, is a rather uncommon structure. Because it is uncommon, the DRE, and for that matter the legislature, has not focused on the unique characteristics of undivided interest subdivisions.

Mr. Randy Apoian
April 18, 2007
Page

As stated above, it is unclear why DRE deleted reference to the common interest development aspect of R-Ranch at the Lake in the renewal of the Subdivision Public Report in 1999. I reviewed a letter from Terry Carlson, an attorney who had represented R-Ranch at the Lake during that time wherein he expressed his opinion that R-Ranch at the Lake is not a common interest development. He also disclosed in his correspondence that he had had discussions with Chris Neely at DRE regarding his view that the subdivision did not include "separate interests." It may well be that Mr. Carlson convinced Mr. Neely that the prior public reports issued by DRE were in error. As such, Mr. Neely may have gone ahead and deleted reference to the common interest development without objection from the R-Ranch at the Lake board of directors. This change was done without the knowledge or consent of the owners of R-Ranch at the Lake and therefore, in my opinion was of no effect. The designation of this subdivision as a CID is a real property issue and not an association issue. If the owners of the real property believed that the subdivision should not be designated a CID contrary to how the original developer designated it, then such change would have to be supported by a vote of the majority of all the undivided real property interests. This has not happened. You either are or you are not a CID, regardless of how any reference to CID status is in the public report. In our legal opinion, R-Ranch at the Lake is a CID subdivision. Furthermore, the inconsistency now between the public reports issued prior to April 22, 1999 and the current public report must be resolved and be resolved prior to the August 2007 renewal of your public report by requesting DRE to add back the deleted language. Most of the owners in your subdivision purchased, pursuant to a public report that identified the interest as an interest in a common interest development. The deletion in a subsequent public reports to any reference to CID status does not mean R-Ranch at the Lake is not a CID subdivision.

Certainly reasonable minds can differ as to whether or not R-Ranch at the Lake constitutes a common interest development pursuant to California Civil Code section 1351 and therefore whether or not the subdivision is subject to the Davis Stirling Act. In our opinion, R-Ranch at the Lake clearly fits within the definition of a planned unit development as set forth in California Civil Code section 1351(k). The initial Subdivision Public Report and all public reports through the April 1999 renewal identified the undivided interests as undivided interests in a common interest development. The key distinction between the differing views seems to rest on the definition of "separate interests." Mr. Carlson and apparently Chris Neely at DRE have concluded that the undivided interests conveyed to each owner in the subdivision does not conform to the definition of "separate interests" and Civil Code section 1351(1)(3) in that there is no "separately owned lots, parcel, area, or space." We disagree. The fact that that statutory definition does not specifically address "undivided interests" does not mean that the "undivided interests" do not qualify as "separate interests" for the purposes of a planned unit development. Each of the 1,800 undivided interests included in the R-Ranch at the Lake Subdivision have all of the following characteristics, which in our view, result in such undivided interests being "separate" under the Code. Each undivided interest is:

- (a) Separately deeded;
- (b) Freely transferable;
- (c) Subject to being mortgaged and thus foreclosed;

Mr. Randy Apoian
April 18, 2007
Page

(d) Within the context of the recorded CC&Rs dated 1982, subject to nonjudicial foreclosure by the property owners association for nonpayment of assessment liens recorded against each specific undivided interest;

(e) Defined as an undivided interest not exempt from the definition of subdivided lands or subdivisions under California Business and Professions Code section 11000.1; and

(f) Made specifically appurtenant to a separate membership in the R-Ranch at the Lake Owners Association.

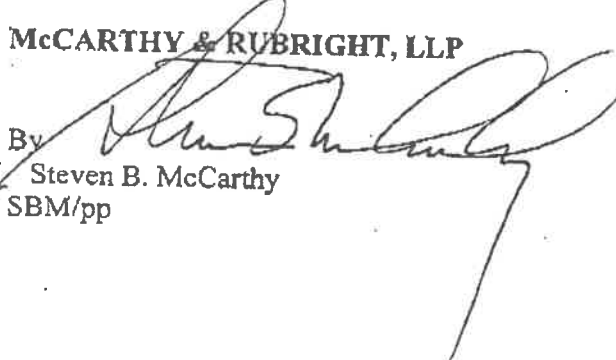
Furthermore, the transfer or conveyance of such undivided interest constitutes the transfer of a single membership in the Association. Such membership cannot stand alone separate from the undivided interest in the subdivision and can only exist when appurtenant to an undivided interest.

The board of directors should carefully address this issue and seek consistency in the public reports affecting all the undivided interests. Generally, the Department of Real Estate does not make the decision as to whether a subdivision is or is not a common interest subdivision. Generally, the subdivider, and in some instances with these types of developments, the owners association defines the designation. The original developer, Jeff Dennis, formed this R-Ranch, the R-Wild Horse Ranch in Tehama County, and the original R-Ranch in Siskiyou County as common interest developments. I suspect he knew what he was doing and that the DRE designation in the Public Reports was not a mistake as suggested by Mr. Carlson. Today each and every owner of an undivided interest benefits by the common interest development designation primarily because such designation carries with it the obligation on the part of the board of directors of the Association to conform to the Davis Stirling Act. The Davis Stirling Act has been developed since its inception in 1985 to address the needs and to protect the interests of owners by regulating the board of directors. There are many examples of boards that have abused their powers and run roughshod over the rights of the dues-paying members. I am advised that over half of the residential dwelling units in California are now within common interest developments. This is now the norm—no longer the exception.

I hope the foregoing has been helpful to you and your board. If you need additional input, please let me know.

Very truly yours,

MCCARTHY & RUBRIGHT, LLP

By 
Steven B. McCarthy
SBM/pp