

From: "Carol Wolf" <CarolWolf@sierratel.com>
Date: Tue Jun 22, 2004 10:50:51 AM US/Pacific
To: "Lane Wipff" <lane@themediastaff.com>, "Debra Slaybaugh" <dimondtiger@earthlink.net>, "Bergman, Paul" <BERGMAN@mail.law.ucla.edu>, "Mickey & Susan Rappaport" <mrappaport@aol.com>, "Carol Wolf" <carolwolf@sierratel.com>, "Steve Wyle" <swyle@prolacta.com>
Subject: Finance Committee meeting notes

John H. notes from the Flying O Ranch Finance Committee Meeting of June 13, 2004

Meeting held at Jan Becks house.

Attending were Jan, Debra Slaybaugh (Board rep to Finance committee and FOR Treasurer), Carol Wolf (Ad hoc board visitor to Finance committee meeting) and John Hughes.

We reviewed some of the QuickBooks data that Debra had received from Tina Nord and distributed to Jan and I. Jan & I reviewed them for approx 45 min. before the meeting started on her computer. As a group we reviewed selected portions of the books in printout sections.

Coming into the meeting we had questions to be asked to determine the extent of our current knowledge: (Answers shown after questions)

- 1) What is the current (new) bank? Central Valley Community Bank in Fresno.
- 2) Do they support on-line banking? Yes. www.cvcb.com has a full set of support services for autopayment, autodeposit, on-line access and so on.
- 3) Who will be the bookkeeper initially? Debra has agreed to do that for now until we get the budget and process underway, understood, and documented. Our initial understanding (coming into the meeting) was that eventually we may decide to have this done, either by paying a bookkeeper or by offsetting the dues of an owner who offers to do it. During the meeting we agreed to look into just how much of it can be either completely automated or done via the internet.
- 4) What will the duties be of the bookkeeper? Check the PO Box or mailing address for bills and payments, get them deposited or paid as needed, record transactions in QuickBooks, create reports and extracts as needed, ensure we keep responsible track of our money, and prepare information for the Accountant to do annual reports and taxes at the end of the year.
- 5) Will we be able to easily create extracts or reports and post current data to the web site? Yes. All agreed.
- 6) Does our Fiscal year match the Calendar year? Yes.

7) What is the new mailing address for dues and bills? Debras' office address is being used for the dues invoices and will continue for now.

8) What is the new name on the bank account? Flying O Ranch Community Association.

9) Who is doing the dues invoicing? Carol W. did it this month and Debra, as the bookkeeper will do it after July 1.

10) Have the utilities been moved over from Flying O Ventures to the Flying O Community Association? Some yes, some still being done. Debra has handled this and is completing it for the July 1 transition.

11) Who can write checks? Carol, Lane and Debra.

12) How many "transactions" happen every month? We see an average of 8 to 10 checks being written per month. In addition to the owners dues, typically collected in advance of the upcoming quarter, this adds up to 20-25 "transactions" per month.

13) Did Debra already have QuickBooks? If no what version did she get and can we ensure that cost is reimbursed by the Association? No, 2004 Pro and Yes, the Board agreed previously to reimburse her for the expense (\$299 + tax). We did not reach any new conclusion on reimbursing Jan for the copy of QuickBooks Basic she purchased but we agreed that if John or Jan felt they needed a copy the assumption so far is that they'd bear the cost themselves. I proposed Jan be reimbursed for her cost as it is doubly useful in managing the finances and in creating extracts for the FOR website to share/post for owners to see.

14) Are there one or two accounts at the bank? How is the actual money kept today? Who has the actual money today? Today we don't know if there are one or two accounts or even more. After some discussion we decided we didn't care but that going forward we would ensure the money is working for the Association, meaning that at least the reserve account will be invested to earn a return. (We also agreed to avoid junk bondsJ). Today the developer has the money and this part of the transition is scheduled to happen July 1st.

15) How is the transition going so far?

a. Debra has contacted Tina Nord via Stephen Wyle and has received a copy of the Quick Books database.

b. Jan and Debra have both purchased and installed QuickBooks.

c. John has interviewed Tom Wheeler regarding the grading invoice received by the developer (and already paid by the developer). Tom defended the bill (approx the same as the annual grading expense for the last 2 years for the first

of three anticipated grading passes in 2004) strongly and indicated he would request the detailed time sheets to validate the expense (Note: John will collect this as part of the physical documentation from Tina next week).

d. We've done a preliminary review of the data in order to understand what we have, what's been done, what more information we need and to formulate a budget proposal.

e. Debra has established a new mailing address and bank account and is working to transition the utilities and other bills.

16) What can we do next to help keep the transition on track?

a. John will meet with Tina Nord in LA on Friday the 25th to collect the hardcopy documentation there.

b. Tina has requested support from the developer to collect the remainder of archived years from the offsite storage at the Circle W and will let us know when and where to collect that.

c. Debra will continue to transition the rest of the policies and so on to the Association.

d. We'll all continue to dive into the data to make sure we spot anomalies and understand the finances.

e. We'll meet again in early July in person and until then will continue via email and voice calls.

f. John will take Barbara Sexton up on her offer to help review the books and to give us advice on structuring the budget and the chart of accounts if any changes are needed.

g. Jan will look into ways to provide access and a view of the data via the website using the reports and extracts available from QuickBooks and will propose a solution.

Our preliminary review (up until this meeting) showed the following anomalies in the Books.

Note that these are not issues so much as questions we'd like answered. We assume two things: There's a good reason for each we just don't know yet, and we are more concerned with having a clean budget and diligent process going forward than correcting things from the past. It is possible that some of the anomalies are an outgrowth of the mix of Developer and Association and Owner and Circle W business and our only concern is to ensure Association business, past, present and future, is accounted for cleanly and correctly.

- There were no dues collected for Parcel 32 during the final 11 months of 2001. Was there some deal for this between the owners and the developer? If so what was it? What did the Association receive instead?
- The Association was billed for, and paid for, \$3,260 in fence work during January thru April of 2003 described in the invoices and the books as "Lot line adjustments". Lot line adjustments are distinct from maintenance due to wear and damage or the addition of yard or drift fencing. Also, it was described to last years Board by Tom Wheeler and Stephen Wyle during last years term that we have a verbal "handshake" contract for grazing with the current grazing tenant and that it, typical of grazing contracts, includes fence maintenance for purposes of keeping the cattle safe and secure. Lot line adjustments were done by the Developer, in some cases at owners request, specifically to make good on the "deal" implied in each parcel purchase. As one of the owners whose lot line fencing was adjusted we were told that we would not be charged for that work. Therefore this should be Developer work and not Association work.
- In addition, the Association was charged for \$575 of surveying the fence lines in 2001. Similar logic should apply and this charge should be part of the Developers cost of developing the land as parcels for sale.
- The Association was charged \$485 in 2000 for annual renewal fees for a credit line at Sanwa Bank. Why? What credit line did/does the Association have at Sanwa Bank?
- Our Accounting Fees doubled in 2003. Why?
- We have been charged \$2,870 in Accounting Fees during the first half of 2004. What does that cover?
- We incurred zero expense for Insurance in 2003 but were charged very high this year. The annual Insurance costs recorded for the Association have gone from \$3,000 in the year 2000, \$2,000 in 2001, \$1,000 in 2002, \$0 in 2003 up to around \$9,000 in 2004. Why? Were we insured last year? Did prices rise dramatically? Did we change our coverage?
- We saw an increase in the cost of cleaning the Clubhouse from \$50/month (Including \$40 for the Clubhouse and \$10 for the Tackroom bathroom) to \$85/month (\$75 cleaning + \$10/month cleaning supplies) when we switched from Marie to Audra. We agreed to get at least one competitive bid and reduce the "cost" of supplies.
- Some expense entries were spread across the operating and replacement accounts for their payment and the Finance Committee did not have enough information about why or how that should and could happen. We'd like more detailed information from the Developers about what each account was intended

for and advice about how the expenses and revenues have been apportioned in the past.

Questions to be answered next:

- 1) For the Board: Please review the above anomalies with the Developers and get an explanation.
- 2) For Tina: Are there more than one account at the bank for these books? How is the actual money kept? In investments or in liquid account?

Other Discussions:

- We noted that we should get our grazing lease in writing next year and it was pointed out that we should attempt to get ½ of the payment up front instead of all of it at the end of the year to reduce our risk of the leasing tenant pulling their cattle, as has been offered several times, and not paying.
- Someone indicated we could get more money if we had year round water at more locations on the ranch. John and Carol indicated they'd look into the costs and issues of putting a watering trough on their parcels.

From: "S. Wyle" <swyle@prolacta.com>
Date: Tue Jun 22, 2004 02:17:54 PM US/Pacific
To: "'Lane Wipff'" <lane@themediastaff.com>
Cc: "'Tina Nord'" <tina.nord3@verizon.net>
Subject: Help!
Reply-To: <swyle@prolacta.com>

I'm getting very concerned about the "bombardment" of Tina Nord with questions from Debra and Carol. Almost all of their questions and comments are misplaced. Tina wrote checks and kept books, but ALL decisions on who paid what were made by me. I've copied below the relevant section of an email that I just received from Tina.

I am outraged that Debra implied to Tina that we co-mingled funds between Flying-O Ventures and the Association and certain other implications (like that we gouged the association on grading fees and such).

Finally, Debra and Carol had no right to ask Tina about Tom's commitment. Tom, like me, has an emotional involvement in the Flying-O and wants the community to flourish. In that spirit he has offered to continue as a resource as I have done.

This harassment has to stop. We have never charged the Association a nickel for the work we have done on its behalf, and I resent that our ethics are now in question. I agreed to remain as a director for this year in order to facilitate a transition. However, I'm beginning to feel that the best thing would be for me to

resign and for us just to send all materials to Debra and get out of the picture completely.

Please get in touch with me as soon as possible.

Thanks,

Stephen

On another subject, Debra Slaybaugh talked my ear off last week about the Association. A few things she said along the way:

Debra said "the Association" thinks they are being overcharged for the road work by Circle W Ranch. They "can't wait" to investigate alternative means, and indeed to gather other opinions about exactly what work should be done. [See comments below.]

Debra said she definitely wants to hire another CPA to do tax returns.

Debra is concerned about Tom Wheeler's retirement and his unavailability to Association homeowners. She said Tom told her "more than twice" that he is retiring and that means he won't be around to assist or recommend anything. Debra said some of the Association officers had talked about enlarging the caretaker's responsibilities to include some of what Tom has been doing.

Debra thinks she will be able to "get a sense of history" by reading through all Association material from the very beginning. As a lawyer, she's most interested in all legal filings and correspondence. I told her I'm not sure what I have in my files on those things and that you, and the attorneys you worked with, probably have a better record than I do.

Debra, and Carol Wolf in another conversation recently, have the idea that "the ownership" and the Association have commingled expenses. I expressed my [mild] outrage at this idea to both, saying it was part of my job to make sure that this did not happen. I said that the CPA reviewed all expenses and income for both while preparing financial statements and tax returns and that alone would ensure the distinct operations of each. Carol said she and other resident homeowners watched the grader do work on the driveways of unsold parcels and figured that those hours were charged to the Association. I assured Carol that that was not the case. All this is ironic in the face of all the help that Tom, as an employee of Circle W Ranch, has provided at no charge to the Association.

Debra had the idea that I could write to all vendors and give them a new billing address. I declined. I said I thought that was the Association's

responsibility. I agreed to forward all bills to Debra as soon as they were received here. Debra thought that we could keep paying Association bills until mid-July; however, she wanted to deposit all dues and the gate assessment checks (\$150 from each homeowner) in her account. I pointed out this would mean two sets of books which isn't a very good idea and I convinced her that we should close the Association accounts at Bank of America as soon as possible since she had accounts open and had checks. I am waiting for two Bank of America checks to clear. Any minute I should be able to write checks for the balances and send to Debra. With the closing of these accounts, FSW will no longer be a signatory on their accounts. I don't know if you, Stephen, have been asked to become a signatory on the new accounts.

From: "S. Wyle" <swyle@prolacta.com>
Date: Tue Jun 22, 2004 02:42:02 PM US/Pacific
To: "Debra Slaybaugh" <dimondtiger@earthlink.net>, "Carol Wolf" <CarolWolf@sierratel.com>
Cc: "Lane Wipff" <lane@themediastaff.com>
Subject: Concerns
Reply-To: <swyle@prolacta.com>

I just received a long and disturbing email from Tina, who I gather has had a few calls from you. Without going into details, Tina was left with the impression that you felt we had co-mingled funds between Flying-O Ventures and the Association, and that we have gouged the Association on things like grading fees.

First of all, any such issues should be raised with me, not Tina. She wrote the checks and kept the books, but all decisions as to what was paid to whom were made by me. I'm the one to whom you should be speaking.

Second, we have never charged the Association a nickel for the administrative work we have done on its behalf. That we should now be considered to have acted unethically is an outrage. If we had billed for ALL services that we have provided the Association and individual owners over the years, the amount would have been much higher. We have prepared financial statements each year, which have been shared with the Association membership. There was no lack of disclosure. If there were issues, I certainly have never heard them voiced.

Finally, Tom's impending retirement from the Circle-W should not be a concern of the Association. Tom, like me, has agreed to offer assistance when possible because he has the same emotional stake in the project as I do. Whether or not he is retired is irrelevant. The same goes for me. I gain absolutely no benefit by continuing to stay involved in Association activities and the work consumes a considerable amount of my time.

Please contact me by telephone if you would like to discuss this. I'm not

interested in trading emails about this subject.

From: "Carol Wolf" <CarolWolf@sierratel.com>
Date: Tue Jun 22, 2004 03:15:36 PM US/Pacific
To: <swyle@prolacta.com>
Cc: "Debra Slaybaugh" <dimondtiger@earthlink.net>, "Lane Wipff" <lane@themediastaff.com>, "John Hughes" <johnkh@mindspring.com>, "Jan Beck" <beckjan@sti.net>
Subject: Re: Concerns

Dear Steve,

I am not sure what you are referring to. I don't know who it is that Tina spoke to, or what issues, specifically, she raised. It is not clear from your note.

The finance committee is compiling a lot of questions for you. These are only natural for the incoming administration to ask of the outgoing administration, especially since there are a number of points that don't seem clear to us.

The finance committee has put together a number of those questions. I believe the notes from the finance committee were sent to you (and the rest of the Board) yesterday. Many of our specific questions are listed there, and we hope to resolve them with you in good time.

It is our right to ask questions. It's our job at this juncture. Not everything about the books is clear, and we must have clarity to create a workable budget, and to understand how we are to do this job. You have done it for many years -- we are beginners. If we didn't have questions, I think that would be a sign that we were not taking on this job as thoroughly as we can.

I don't know about Debra, but I would much prefer working by e-mail. My school term is ending; I have piles of assignments to read, I have grades to do, and I have been given an online summer school class at the last minute that I have to have set up from scratch by next week -- and I'm going out of town this weekend. E-mail allows me to stay in the loop on my own time. I don't have time to spend hours on the phone at present.

I think if you had had time to read the finance committee minutes you would know specifically what our questions are at present. More are coming -- we are determined to understand the accounts, and we have only begun this work. You would be asking the same questions if our positions were reversed. Be patient with us while we attempt to learn this job in a fraction of the time that, I'm sure, you had to learn it.

From: "Carol Wolf" <CarolWolf@sierratel.com>
Date: Tue Jun 22, 2004 04:49:08 PM US/Pacific

To: "Lane Wipff" <lane@themediastaff.com>, "Debra Slaybaugh" <dimondtiger@earthlink.net>, "John Hughes" <johnkh@mindspring.com>, "Jan Beck" <beckjan@sti.net>
Subject: Steve Wyle's concerns

----- Original Message -----

From: [S. Wyle](#)
To: ['Carol Wolf'](#)
Sent: Tuesday, June 22, 2004 3:41 PM
Subject: RE: Concerns

I am not inferring that there should be no questions. I'm sure there will be lots of them. Also, I'm happy to try and answer them all. Tom will also be available to answer questions when he's up to it (surgery was a success and he's doing well).

That isn't what bothered me. Questions are natural. However, Tina got the impression from speaking to someone (Debra, you or John Hughes) that we had basically been cheating the Association. I'm sure you will understand why such an accusation is offensive to me. We have detailed records of hours worked, etc., underlying every invoice ever submitted to the Association. I hope it doesn't come to that (because it would even more time-consuming), but we could certainly stand up to a detailed audit.

To reiterate, I'm happy to answer questions, and I'll look over the finance committee notes shortly. However, the questions should be addressed to me, not Tina, and certainly I would hope that any accusations would be made to me and not indirectly through Tina.

My reason for not wanting to do this by email is that I don't like invectives hurled back and forth through correspondence. These types of issues are usually much better resolved in person or by telephone.

From: Lane Wipff <lane@themediastaff.com>
Date: Tue Jun 22, 2004 04:27:26 PM US/Pacific
To: <swyle@prolacta.com>
Subject: Re: Help!

Stephen

I'm sorry things have gotten so hot and heavy so quickly. There are bound to be questions and misunderstandings about the interpretive art of accounting (otherwise why have I paid a high priced CPA to help me interpret my earnings to the IRS over the last many years). I'm sorry if it sometimes seems like a personal attack on you, Tom and Tina but I really think it's more about some very earnest, perhaps too earnest, people trying to do everything and do everything 100%

right. I think they're gorging on information detail that they've never had access to before; and not being familiar with ranch operations and running up against some eccentric interpretations and, I don't doubt, a few errors they want ANSWERS! Well, let's give them ANSWERS.

I don't think that resigning is the answer any of us want (you and I have been down this path before and I'm glad I listened to your counsel). I would hate to think that you will only walk away from the Flying-O with money in your pocket. I want you and Tom to not only be proud but pleased with your contributions to this really unique and special community. So let's set up a meeting that can be productive rather than rancorous: maybe you and one member of the Finance Committee and an arbitrator -- either Mickey or myself. Have them submit all their questions ahead of time so you can rack your brain or records and prepare intelligent answers -- you should, of course, be allowed to ask them questions about their questions if things aren't clear. I know this will eat up a chunk of you time but I think it will be worth it to restore the feelings of satisfaction about your achievement and make it a joy to attend ranch functions with your many thankful friends.

I tried calling your house, so I'll assume you're on the road. I'll pass all this by Chris tonight because I really respect her thinking. If she has any other insights or suggestions, I'll pass them on to you. Feel free to call me at home this evening or most of tomorrow.

From: "S. Wyle" <swyle@prolacta.com>
Date: Tue Jun 22, 2004 05:35:45 PM US/Pacific
To: "'Lane Wipff'" <lane@themediastaff.com>
Subject: RE: Help!
Reply-To: <swyle@prolacta.com>

Let me be really clear. I DON'T OBJECT TO QUESTIONS. I expect them. What I'm objecting to is that they are being asked of Tina, not me. Tina is clueless about why expenditures are made. She only records them. Secondly, someone (maybe John or Debra) clearly implied to her that there was misappropriation of funds by us and that we overcharged for things done for the Association by the Circle-W. Those are serious accusations and there is no way that I can take them lightly.

For your information, we have detailed records on hours worked and money expended backing up our invoices to the Association. I'm sure we'd come through the most rigorous audit squeaky clean. As you point out, the people asking the questions are not knowledgeable about the details of what has been done on roads, etc. It's perfectly understandable why they might be confused. However, the proper solution is to ask questions, not to make accusations.

I will be glad to meet with someone from the Finance Committee or all of them,

for that matter. I do not need nor do I want an arbitrator or mediator. That, of course, could change if someone is planning on making a formal charge against us. I've been in business for 40 years and am perfectly capable of explaining our past actions. As I mentioned in an earlier email, I plan to go ahead and prepare a straw-man budget, which the Finance Committee can rip to shreds if they want.

Finally, I would counsel that it is not necessary for people to understand ALL of the details immediately. A lot of our experience was gained over a very long time and I think it's optimistic for people to feel they can just read a lot of records and understand everything. That's why we've agreed to stay involved. I think the committee needs to cool it somewhat.

I'll be around for a little while and then Deborah and I are going out for dinner. Tomorrow I'll be around pretty much all day. If you call the number below I can be reached wherever I am.

Thanks for getting involved in this.

From: Jan Beck <beckjan@sti.net>
Date: Tue Jun 22, 2004 07:48:46 PM US/Pacific
To: Lane Wipff <lane@themediastaff.com>
Subject: [Fwd: Steve Wyle's concerns]

My take on this and I am only sending this to you is:

Let's drop all the questions about why the payments were made and for what and MOVE ON.

The "keeping of the books" should not be difficult and maybe there are some items that we don't know the reason why it was paid, but if it is that upsetting to the parties involved. and we don't need that information going forward then the questions should be dropped.

At this point, I am more concerned about getting a good start on setting up the books properly not worrying about what happened in the past.

From: Lane Wipff <lane@themediastaff.com>
Date: Wed Jun 23, 2004 11:28:07 AM US/Pacific
To: Jan Beck <beckjan@sti.net>, Debra Slaybaugh <dimondtiger@earthlink.net>, John Hughes <fireart@mindspring.com>
Subject: Transition Issues

In John's minutes of the first meeting of the Finance Committee, he writes:

"Note that these are not issues so much as questions we'd like answered. We

assume two things: There's a good reason for each we just don't know yet, and we are more concerned with having a clean budget and diligent process going forward than correcting things from the past."

So far, so good. Then he wrote:

"It is possible that some of the anomalies are an outgrowth of the mix of Developer and Association and Owner and Circle W business and our only concern is to ensure Association business, past, present and future, is accounted for cleanly and correctly."

Let's all take a deep breath (those presently in LA or Fresno should not take this literally) and remember why we're all here. I don't know how many times I've heard Carol Wolf say, "...another day in paradise;" just last Saturday Jan Beck related that every time she gets out of the car to open the gate she whispers, "Thank you;" I know that each time Chris and I turn off Highway 41 onto Road 200 our blood pressures drop. Think about it -- the Flying-O -- and what this development has come to mean for each of us: it's the opportunity of a lifetime to enjoy the time of our lives. And most of the credit for making it so goes to Stephen and Tom -- not the "developers" -- to Stephen and Tom.

Let's also remember that Stephen and Tom are our greatest resources for information about how the ranch works, its history with Madera County, how to get things done and by whom in the mountain communities, how to develop and maintain relations with CDF, CRCO and countless other agencies, etc. And let's not forget that they have stayed on to help us with our transition to self-governance...giving freely of their time and expertise because they love this place and because they have invested themselves in its success as much as we have.

Are there mistakes in the books? It wouldn't surprise me...human being made the decisions, human beings entered the data, and there are a lot of years.

Are there certain entries that can be debated? Of course. This is America, It's one of our inalienable rights.

Is it likely that their might be misunderstandings between the non-Accountants that created the books and the non-Accountants who are reviewing the books? Hmmm.

By all means, arrange a face-to-face meeting between Stephen and the Finance Committee and let's see what both sides can learn and clarify and, as in all human endeavors, try to make better...together. Just like the Flying-O Ranch.

Lane

From: "S. Wyle" <swyle@prolacta.com>
Date: Wed Jun 23, 2004 11:38:49 AM US/Pacific
To: "'Lane Wipff'" <lane@themediastaff.com>
Subject: RE: Transition Issues
Reply-To: <swyle@prolacta.com>

Good email. Many thanks. One small correction, the Association books WERE set up by an accountant. Tina made the entries but each year the same accountant has been reviewing the books and preparing the financial statements for us. Each year, I have had extensive discussions with the accountant about how funds were to be allocated and how the results were to be presented.

I'll go through the comments on the Finance Committee minutes and try to answer as many of the questions as I can. Also, as I mentioned, I'll be preparing a sample budget derived from past experience.

From: "Carol Wolf" <CarolWolf@sierratel.com>
Date: Mon Aug 23, 2004 12:49:25 PM US/Pacific
To: "Lane Wipff" <lane@themediastaff.com>, "Stephen Wyle" <swyle@prolacta.com>
Subject: Re: Transition Issues

Dear Lane,

Thank you for your wise counsel.

Carol

From: "FireArt" <fireart@mindspring.com>
Date: Sun Jun 27, 2004 04:30:01 PM US/Pacific
To: "Lane Wipff" <lane@themediastaff.com>
Subject: Re: Design Committee

By the way I had a long talk with Tina and a slightly shorter talk with Stephen Friday and he seems to be OK now. I don't know what got misread in the conversations but, in confidence, Tina indicated she was offended by the questions she was getting from Debra and Carol. I think she may have been being discreet and could have felt the same way about my questions but in any case I reassured her about what we were trying to learn and how and that our assumption going in was that she was both competent and honest. We can talk more about that conversation in person if you like but I think the emotion has been damped out for the moment.

Very best regards,
John

From: "Debra L. Slaybaugh" <dimondtiger@earthlink.net>

Date: Sun Jun 27, 2004 09:18:38 PM US/Pacific
To: "Lane Wipff" <lane@themediastaff.com>
Subject: Re: Transition Issues

i agree and this was nicely said. I sent steve an email as i had a long conversation with tina. I am not sure why she felt the way she did but i assured stephen, no one intended any questions to imply wrongdoing. i am hoping we can go forward from here.

debra

From: Carol Wolf[mailto:CarolWolf@sierratel.com]
Sent: Tuesday, July 20, 2004 3:14 PM
To: Steve Wyle
Cc: Debra Slaybaugh; John Hughes; Jan Beck
Subject: questions about Flying O accounts

Dear Steve,

The Finance Committee, in its efforts to draw up a workable budget, has been looking over past accounts. This has led to some questions, which I think must go to you for answers. Can you review these questions and send us the answers?

Thanks,

Carol

Finance Committee Data Request

Our preliminary review (up until this meeting) showed the following anomalies in the Books. Note that these are not issues so much as questions we'd like answered. We assume two things: There's a good reason for each we just don't know yet, and we are more concerned with having a clean budget and diligent process going forward than correcting things from the past. It is possible that some of the anomalies are an outgrowth of the mix of Developer and Association and Owner and Circle W business and our only concern is to ensure Association business, past, present and future, is accounted for cleanly and correctly.

- There were no dues collected for Parcel 32 during the final 11 months of 2001. Was there some deal for this between the owners and the developer? If so what was it? What did the Association receive instead?
- The Association was billed for, and paid for, \$3,260 in fence work during January thru April of 2003 described in the invoices and the books as "Lotline adjustments". Lotline adjustments are distinct from maintenance due to wear and

damage or the addition of yard or drift fencing. Also, it was described to last years Board by Tom Wheeler and Stephen Wyle during last years term that we have a verbal "handshake" contract for grazing with the current grazing tenant and that it, typical of grazing contracts, includes fence maintenance for purposes of keeping the cattle safe and secure. Lotline adjustments were done by the Developer, in some cases at owners request, specifically to make good on the "deal" implied in each parcel purchase. As one of the owners whose lot line fencing was adjusted we were told that we would not be charged for that work. Therefore this should be Developer work and not Association work.

- In addition, the Association was charged for \$575 of surveying the fence lines in 2001. Similar logic should apply and this charge should be part of the Developers cost of developing the land as parcels for sale.
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- We have been charged \$2,870 in Accounting Fees during the first half of 2004. What does that cover?
- We incurred zero expense for Insurance in 2003 but were charged very high this year. The annual Insurance costs recorded for the Association have gone from \$3,000 in the year 2000, \$2,000 in 2001, \$1,000 in 2002, \$0 in 2003 up to around \$9,000 in 2004. Why? Were we insured last year? Did prices rise dramatically? Did we change our coverage?
- We saw an increase in the cost of cleaning the Clubhouse from \$50/month (Including \$40 for the Clubhouse and \$10 for the Tackroom bathroom) to \$85/month (\$75 cleaning + \$10/month cleaning supplies) when we switched from Marie to Audra. We agreed to get at least one competitive bid and reduce the "cost" of supplies.
- Some expense entries were spread across the operating and replacement accounts for their payment and the Finance Committee did not have enough information about why or how that should and could happen. We'd like more detailed information from the Developers about what each account was intended for and advice about how the expenses and revenues have been apportioned in the past.

From: "S. Wyle" <swyle@prolacta.com>

Date: Mon Jul 26, 2004 06:31:38 PM US/Pacific

To: "Carol Wolf" <CarolWolf@sierratel.com>

Cc: "Debra Slaybaugh" <dimondtiger@earthlink.net>, "John Hughes"

<johnkh@mindspring.com>, "Jan Beck" <beckjan@sti.net>, "Lane Wipff" <lane@themediastaff.com>
Subject: RE: questions about Flying O accounts
Reply-To: <swyle@prolacta.com>

Well, for the most part there are explanations to your questions. However in some cases you have uncovered errors that we will correct:

1. The unpaid dues are because of a promotion that we ran at that time, offering to waive dues for people who brought in new buyers. Those who did this were correctly not billed for dues. The error is that we as developer never made up the difference. By my calculation that amounted to a shortfall of \$1,980.00 that we will make up.
2. The fence work in question was NOT a lot line adjustment or done for the purpose of maintaining the fence for cattle grazing. It was for work done on the north fenceline to put it on the correct property line. We picked up around 30 feet by doing that, resulting in some recovered acres. At the time work was done we made the decision that it was appropriate to split that cost with the association since there wasn't really any benefit to us to make the change (we would have sold the parcels anyway). The motivation to do it at that time is that the fenceline can be interpreted as the agreed-on boundary if it remains in place for a while. By moving the fence we ensured that the property line would not be re-evaluated in the event of a future dispute. Flying-OVentures paid an equal amount.
3. The surveying was in support of the same project and we paid an amount equal to that paid by the Association.
4. We will pay the \$485 credit line fee. This was for a L/C that we were required to post as insurance that we would pay our share of the Association dues. This should have been allocated to Flying-OVentures.
5. Accounting fees reflect the amount of work done by the accountants to prepare tax returns and statements for the Association. You will recall that I urged the Association to hire different accountants and that I felt the charges were excessive recently. As near as I can tell, much of the increase is due to a billing rate increase. We cannot think of another reason why they should have jumped. I'm happy to call the accountants and ask, but I think it would be more productive to just change to cheaper accountants in Fresno. In any event all the fees are appropriately paid by the Association.
6. Accounting fees in 2004 covered the preparation of the 2003 Statements.
7. Insurance costs jumped this year because it was the first year that the Flying-O had its own policy. In the past, insurance for the Flying-O was bundled with the Circle-W policy and we made an allocation of costs. As it turned out we were only allocating the cost of insuring the structures and not a portion of the liability. Hence when a new policy was created, the rates jumped considerably. Basically before that we were

- subsidizing Flying-O insurance costs. The reason that there was no cost in 2003 was that we were still hammering out the new policy. The cost was picked up in the 2004 billing.
8. Marie Marlatt cleaned the clubhouse ONLY for \$60/month. When we shifted to Audra she agreed to clean BOTH for \$75/month. Since cleaning supplies were not being provided, we agreed to an additional \$10/month to cover that expense.
 9. Costs were allocated to the reserve account if money was spent on repairs to any structures in the common area or if they consisted of materials for roads (e.g. gravel and culverts and labor to install these). These items were all given a life expectancy in the budget. The cost of periodic maintenance, road grading for example, is allocated to the operating account.

In summary, we are willing to make a payment of \$2,465 to the Association to even things out even though it could be argued that our insurance subsidy more than offsets this amount. Once this amount is accepted by the Board (with me recusing myself), we'll immediately send a check. I hope the foregoing answers your questions satisfactorily.

Best regards,

Stephen

From: Jan Beck <beckjan@sti.net>

Date: Wed Jul 28, 2004 07:57:04 AM US/Pacific

To: swyle@prolacta.com

Cc: 'Carol Wolf' <CarolWolf@sierratel.com>, 'Debra Slaybaugh' <dimondtiger@earthlink.net>, 'John Hughes' <johnkh@mindspring.com>, 'Lane Wipff' <lane@themediastaff.com>

Subject: Re: questions about Flying O accounts

Stephen, we appreciate the time and effort involved in providing the detailed answers to these questions. Ernie and I will be forever grateful to you and the Circle W for having the vision and dedication to develop a "heaven on earth" for us. Ernie and I love this place. We searched for 15 years to find something like this. and had almost given up.

I hope weather in L.A. is a little cooler than here. The early morning and late evenings have been really nice here. Ernie says hi. Please stop by for a drink the next time you are in the vicinity.