

3 Canyons Ranch Master Homeowners Association (HOA)
Board of Directors (BOD) Meeting
July 22, 2006

Board Members Present: Ron Slyter, Greg Chouinard, Gary Brock, Rich Frederici, Carl Bromund, Pat Kirk, Lois Bloom, Don Penney and Evans Guidroz

Call to Order

The meeting was called to order at 1:27 PM.

Acceptance of Agenda

A motion was made and seconded to adopt the meeting agenda. The motion was carried unanimously.

Acceptance of July 5, 2006 Minutes

A motion was made and seconded to approve the minutes from the Board of Directors (BOD) meeting on July 5, 2006. The motion to approve the minutes was carried unanimously.

Attorney's Report

The report by the 3 Canyons attorney, Mr. Bob Stachel was moved forward in the interest of conservation of attorney time. Mr. Stachel indicated that litigation concerning Wild Horse was continuing. He reported that the plaintiff recently requested information on the Attorney's fees expended so far by 3 Canyons. Bob felt the information was requested to develop a settlement offer from the Plaintiff. However, no settlement offer has been received at this point. A pre-trial conference on this litigation has been scheduled for September and he expected a trial date to be set during that conference.

Call to Membership

A request was made by Pat Kirk for the Board to take action on a previously submitted Conservation Easement and Conservation Management Agreement regarding the La Marquesa subdivision. The Board responded that this issue would be discussed under New Business.

President's Report

The President, Ron Slyter, expressed his concern about speeding along 3 Canyon's Road. He reported that the possibility of hiring off-duty police officers to issue citations is being researched. He also reported that the installation of a gate at the east end of Three Canyons would also assist in reducing the number of trespassers

Treasurer's Report

The Treasurer, Gary Brock distributed copies of his report; it is attached as enclosure (1) to these minutes.

Gary also reported that he had done further checking on the circumstances related to the Matsuura's appeal presented at the last Board meeting. The appeal concerned late fees and attorney's cost associated with late payment of assessments. Gary reported that the Matsuuras had not reported their address change to the Association as required by the CC&R's in Section 21.1. Based on that, he recommended that the appeal be denied. After discussion, a motion was made and seconded to deny the appeal. The motion carried by a vote of 8 for, 1 opposed and 1 abstention.

Committee Reports – Master Design Committee (MDC)

Rich Frederici reported that the MDC is approving construction of approximately 2 new homes per month. He said that the MDC had taken action on 3 new homes during the past year where construction was commenced without prior MDC approval. Rich also reported that the Road Committee (a sub-committee of the MDC) was taking action to install stop signs for all roads that intersect with 3 Canyons Road. The Road Committee is also installing additional speed limit signs along Three Canyons Road.

Committee Reports – Gate Committee

Tom Pickering reported that the current gate is worn out as shown by the high expenses to maintain and repair it. Engineering design and survey work is underway concerning relocation of the west gate and construction of an east gate. The engineering study is expected to be completed around mid-August.

Committee Reports – Road Committee

Ron Slyter reported that stop signs will be procured and installed on roads that intersect with 3 Canyons Road.

Committee Reports – Clean Up Committee

Bev Pickering reported that there are sign up sheets available to volunteer for picking up trash along half-mile sections of Three Canyons Road.

Committee Reports – Map Committee

The Map Committee reported that sign up sheets are available for members who desire to order and purchase a map.

Committee Reports: There were no reports from the Fence, Website or Governing Documents Committees

Old Business

Capital Assessment Issue: Wildhorse and Visa del Oro (VDO)

Carl Bromund reported that he had spoken with Carolyn Goldschmidt to obtain her legal opinion on the issue of Capital Assessments for Wild Horse and Vista del Oro. Carolyn will not be available for this work until after the middle of August.

A motion was made and seconded to continue to pursue a legal opinion from Carolyn and plan to hold a special meeting with members, once Carolyn's advice is obtained. The

motion also contained a provision to set the due date for capital assessments as 9/30/2006. The motion was carried unanimously.

New Business

Election of Officers

The Secretary, Carl Bromund reported that Chris Carson had resigned from the Board as the representative of Section 29. A request had been received from Richard Dirks to fill this position. The members present were asked if anyone else was interested in filling this position and no one responded. A motion was made and seconded to appoint Richard to fill the vacant position on the Board as the representative of Section 29. The motion was carried unanimously. Richard began serving on the Board at that time.

The Board elected New Officers for the coming year. Motions were made and seconded to elect the following individuals to the positions indicated. The motions were approved unanimously.

- President: Carl Bromund
- Vice President: Richard Dirks
- Secretary: Greg Chouinard
- Treasurer: Gary Brock

Conservation Easement and Conservation Management Agreement regarding the La Marquesa subdivision

An issue was raised concerning a Conservation Easement and Conservation Management Agreement regarding the La Marquesa subdivision. Initially, these documents were submitted requesting that the Master Association hold the easement and exercise the management agreement for same. Pat Kirk indicated that the County would now allow the Village to hold the easement and manage the Conservation Area. A motion was made and second that the Master Association would not be responsible for management of the conservation area. The motion was approved unanimously.

Mail Delivery

An issue was raised concerning mail delivery to 3 Canyons. A motion was made and seconded to form a Committee with Jack Lang as Committee Chairman to contact the Postmaster and report to the Board the procedures that the Homeowners Association would have to follow in order to arrange mail delivery. The motion was approved unanimously.

Village Guidelines

An issue was raised concerning the need for Village Guidelines to implement the procedures of Section 14 of the CC&R's. This section allows the Master Association "to take temporary control of the Village Association...in the event the Village Association is failing, in the opinion of the Board, to perform its functions in a manner consistent with

the standards established by other Village Associations within the Property or necessary for the maintenance of the high quality of development envisioned for the Project.”

A document developed by the Secretary was presented. A motion was made and seconded to form a committee and review the guidelines. The Committee is to make a recommendation to the Board concerning these guidelines. The Committee members include Richard Dirks (chairman), David Hamilton, Jack Dempsey, Clark Bloom, Pat Kirk, Rich Frederici and Gary Brock. The motion was approved unanimously. The draft guidelines are included as enclosure (4) to these minutes

Collection Guidelines

An issue was raised concerning the need for Guidelines to establish procedures for collection of past due assessments or accounts receivable owed by members. A document developed by the Secretary was presented. A motion was made and seconded to adopt the guidelines. The motion was approved by a vote of 9 for and 1 abstention. The guidelines are included as enclosure (3) to these minutes.

Membership Audit Guidelines

An issue was raised concerning guidelines for an annual audit of association membership records. A revised document developed by the Secretary was presented. The main changes were to

- Provide a \$500.00 budget to allow documents in the County Assessor’s office to be copied, thus expediting the audit.
- Include the provision that the information on the file with the County Assessor concerning a member’s address would be used in the Association’s records, unless a more recent change had been reported in writing to the Association.

A motion was made and seconded to adopt the revised guidelines for an annual audit of association membership records. The motion passed by a vote of 9 for, and 1 abstention. The revised guidelines are included as enclosure (2) to these minutes.

Appeals

An appeal was presented to the Board by Mr. Viviano concerning storage of large culverts on his property. After discussion, Mr. Viviano withdrew his appeal. Mr. Viviano was provided with a copy of the Master Design Guidelines.

An appeal was presented by the Shaffers for a 135 foot setback along the north side of their 10 acre property (parcel # 104-01-057T and a portion of parcel 104-01-256A)

instead of the 175 foot setback required by the CC&Rs for parcels larger than 8 acres. The member owning the adjacent parcel to the North (Tom Pickering) indicated no objection to the granting of this variance. After discussion, a motion was made and seconded to grant the variance. The motion was approved unanimously.

Call to Membership

A member raised the issue of where the balances for the Operating Account and Capital Account were shown on the financial reports. That information is listed on the Balance Sheet under the heading of Current Assets.

Adjournment: A motion was made to adjourn. The motion was seconded and carried unanimously. The meeting was adjourned at 4:00 PM.

Enclosure (1) Financial Reports

Profit and Loss

	<u>Jul '05 - Jun 06</u>
Ordinary Income/Expense	
Income	
4000 · Income	
4010 · Annual Assessments	126,818.86
4020 · Capital Assessment	51,503.45
4030 · CCR & Violations	1,750.00
4040 · Late Fees / NSF Charges	1,320.63
4050 · Interest Income	1,305.14
4060 · Gate Openers	545.05
4061 · Builder Nonrefundable Deposit	6,000.00
4062 · Builder Refundable Deposit	4,000.00
4065 · Builder Plan Review Fee	4,500.00
4068 · Transfer Fees	22,200.00
4075 · Other Income	649.28
Total 4000 · Income	<u>220,592.41</u>
Total Income	220,592.41
Expense	
6000 · Expense	
6020 · Liability Insurance	1,960.40
6050 · Legal Fees	38,219.89
6070 · Bank Service / Supplies	204.28
6075 · NSF BANK FEES	65.20
6080 · PO Box Rental	91.80
6082 · Web Hosting Expense	215.40
6220 · Loan Interest	9,311.90
6290 · Meeting Facility Expense	472.06
6295 · Other Expense	313.40
Total 6000 · Expense	<u>50,854.33</u>
6300 · Maintenance & Repair	
6030 · Gate Maintenance	11,221.59
6035 · Landscape Maintenance	1,250.00
6040 · Fence Maintenance	375.00
6310 · Other Contract Services	1,680.00
Total 6300 · Maintenance & Repair	<u>14,526.59</u>
6390 · Utilities	
6340 · Telephone	618.58
6400 · Electric	568.15
Total 6390 · Utilities	<u>1,186.73</u>
6500 · Administrative Expense	
6501 · Accounting Fees	1,480.00

6505 · Office Supplies	371.26
6506 · Printing	536.52
6508 · Postage	202.48
6510 · Filing Fees	10.00
6520 · Management Fees	14,765.50
6500 · Administrative Expense - Other	<u>18,400.00</u>
Total 6500 · Administrative Expense	35,765.76
6610 · Taxes	
6640 · Property	239.42
6650 · State	<u>45.00</u>
Total 6610 · Taxes	<u>284.42</u>
Total Expense	<u>102,617.83</u>
Net Ordinary Income	117,974.58
Other Income/Expense	
Other Expense	
9000 · Capital Expense	<u>2,377.22</u>
Total Other Expense	<u>2,377.22</u>
Net Other Income	<u>-2,377.22</u>
	<u><u>115,597.36</u></u>

Balance Sheet

	<u>Jun 30, 06</u>
ASSETS	
Current Assets	
Checking/Savings	
1010 · Operating Fund	90,918.86
1020 · Reserve Fund	81,967.97
1030 · Capital Savings	<u>52,288.20</u>
Total Checking/Savings	<u>225,175.03</u>
Total Current Assets	225,175.03
Other Assets	
1875 · Computer Equipment	<u>690.33</u>
Total Other Assets	<u>690.33</u>
TOTAL ASSETS	<u><u>225,865.36</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	

Other Current Liabilities	
1201 · Loan Capital One	<u>-47,724.22</u>
Total Other Current Liabilities	<u>-47,724.22</u>
Total Current Liabilities	<u>-47,724.22</u>
Total Liabilities	-47,724.22
Equity	
1110 · Retained Earnings	-1,899.16
3000 · Opening Bal Equity	159,891.38
Net Income	<u>115,597.36</u>
Total Equity	<u>273,589.58</u>
TOTAL LIABILITIES & EQUITY	<u><u>225,865.36</u></u>

Enclosure (2): 3 Canyons Ranch Master Homeowners Association Annual Membership Audit Guidelines

1. The Secretary of the Board of Directors shall direct and conduct an annual audit of the membership records following the procedures outlined in these guidelines. The purpose of the audit is to ensure members of the accuracy of the membership information used in voting and assessment processes. If possible, the Board member from the section being audited will assist in the audit of the property in his/her section.
2. The audit shall include a visual inspection of all property covered by the 3 Canyons Ranch Homeowners Association CC&R's to verify the existence or construction of homes.
3. The audit shall be conducted by comparing the results of
 - a. The visual inspection described in paragraph two (2),
 - b. The association records,
 - c. Building permits issued by the county planning and zoning department, and
 - d. The records of the county assessor.
4. Where the visual inspection shows the existence or construction of a home that is not recorded in the Association records, information on the county building permit shall be used to initiate an assessment based on the square footage of the home and date the building permit was issued.
5. Where the records of the county assessor show information concerning the square footage of a residence that is different than the information in the association records, the information in the county assessor records shall be used to correct the association's records and the current year's assessment.
6. Any refund or amount due based on corrections to records will be paid or collected to correct only the current year assessments. Adjustment will be processed by sending the member either a refund or corrected assessment. A letter will be sent to the member with the corrected assessment or refund notifying them of the information used to make the adjustment. No adjustments outside the current year's assessments will be made, except for the circumstance listed in paragraph four (4).
7. Where the records of the county assessor show information concerning the owner, address or parcel number that is different than the information in the association records, the information in the county assessor records shall be used to correct the association's records. The Association records will also be updated when a report of transfer is received (including a copy of the deed) or the member notifies the Association of a change of address.

8. The Secretary of the Board of Directors shall report the completion of this audit to the Board of Directors at a regular Board meeting including a summary of any adjustments made to the association's records and assessments.
9. Any owner who disagrees with the results of the audit may appeal to the Board of Directors. The Secretary of the Board of Directors shall obtain and provide copies of all documents used in the audit process that apply to an owner's appeal.

Enclosure (3): Standard Collection Procedures

The following procedures shall apply to collection of past due assessments or accounts receivable concerning members of the Three Canyons Ranch Homeowners Association:

1. Board of Directors receives report of past due assessments or accounts receivable from Stratford Management.
2. Secretary of the Board of Directors confirms address of member(s) as recorded in records of Cochise County Assessor.
3. 30 Days Past Due – 1st Notice, “Friendly Reminder” sent to member (via certified mail).
4. 60 Days Past Due – 2nd Notice, “Demand for Payment” sent to member (via certified mail).
5. 90 Days Past Due – 3rd Notice, “Final Notice/Notice of Lien” (via certified mail).
6. 10 Days After Final Notice/Lien Notice – Lien Filed

(Lien Filing Fee \$150.00 to 3 Canyons Association by Stratford Management, plus applicable County lien recording fees)

\$75.00 Lien filing billed at time of filing,

\$75.00 Lien Release fee due upon payment in full of delinquent account.

7. 100 Days Past Due – Account is automatically turned over to the attorney selected by the Board of Directors for collection.
 - a. All correspondence and account history to date furnished by Stratford Management at time of turnover for collection.
 - b. All further correspondence and telephone conversations are referred to the attorney by Stratford Management and/or 3 Canyons.

Enclosure (4): Villages and Village Association Guidelines

Section 14 of the CC&R's allows the Master Association "to take temporary control of the Village Association...in the event the Village Association is failing, in the opinion of the Board, to perform its functions in a manner consistent with the standards established by other Village Associations within the Property or necessary for the maintenance of the high quality of development envisioned for the Project."

In order to assist the Board in determining that Village Associations are performing their activities adequately, the Board may establish an ad hoc committee to collect information concerning a Village's activities. In general, the ad hoc Committee's purpose will be to evaluate whether a village is operating according to its governing documents.

The information collected to perform this evaluation may include the following:

- Copy of current governing documents (Village Declaration, Articles of Incorporation, CC&Rs and Bylaws of the Village Association).
 - All village governing documents must reflect that the village is part of a larger planned community known as Three Canyons Master Homeowners Association.
 - The Village's governing document shall be subordinate and subject to the terms and conditions of the Master Declaration and the Articles of Incorporation, Bylaws and Rules (collectively, the "Master Association Documents") of the Master Association, as such documents may from time to time be amended.
 - In order to be effective, the governing documents must be approved by the Board of the Master Association.
 - The governing documents may not be amended, supplemented or terminated without the prior consent of the Board of the Master Association.
- Copies of Minutes of meetings (ensures Village Associations conduct meetings required by governing documents).
- Copies of financial records including current and past budgets, assessments, expenses and balance on hand. (ensures Village Associations conduct financial operations required by governing documents).
- Copy of annual report filed with State of Arizona Corporation Commission.
- Confirmation that Village has provided copies of Architectural Design documents (approvals, disapprovals, fines, appeals and construction documents) to Master Design Committee.
- Confirmation that Village has procedures and is following them consistently and effectively to enforce the CC&R's. This includes approvals, disapprovals, fines and appeals.
- Confirmation that real estate taxes have been paid on Common Areas.
- Listing of current officers and/or board members.
- Copies of records concerning any fines, appeals and variances granted (provided Village has authority to grant variances).

- Confirmation that Village procedures comply with current requirements of Arizona Revised Statutes.

The ad hoc Committee may meet with representatives of the village and tour the village to collect information. The ad hoc Committee will report one of the following findings and recommendation to the Board:

- The Village is failing to perform its functions and the Board should take temporary control of the Village;
- The Village has corrected past failings and should be given authority to operate for a six (6) month probationary period;
- The Village has satisfactorily completed a six (6) month probationary period and should be given full regular authority to operate.

The Board may then take action on the Committee's report and recommendation as appropriate in a manner that is consistent with Section 14 of the CC&R's.