

**Homeowners Association
Annual Meeting Notes
March 17, 2012**

Submitted by Larry Fine

Note: These notes were taken at the meeting. They have not been approved by the Board. Reasonable care was taken in their preparation, but there may be some inaccuracies and omissions. Official minutes will be posted when they become available.

Present: Board members Jim Grosse, Bill Ehrlich, Charles House, David Pingree; Desert Management Owner Jim Lewis, Assistant Manager Jennifer Huntsman

1. Meeting called to order at 2 PM

2. Quorum established

3. Secretary Report

Minutes of previous annual meeting approved

4. Financial Report

Treasurer Charles House reports a balance of \$70,000 in the Operating Fund, and a net excess of revenues over expenses in 2011 of \$31,500.

The Reserve Fund has risen in 2011 by more than \$92,000 to a total of about \$350,000, which is about 45 percent of the accrued funding liability.

Jim Lewis read the annual IRS Resolution, which allows us to avoid paying corporate income tax on the excess of revenues over expenses, and it was approved by a show of hands.

5. Election of Directors

Jim Grosse and Charles House, both incumbents, were running for reelection for the two open slots on the Board.

6. Election Process

Jennifer Huntsman, as Inspector of Election, counted the ballots.

7. President's Report

Jim Grosse gave an overview of the year's events, including a lengthy thank you to the many people who have contributed to the Association, either by serving on the Board or by taking on

projects and tasks. He reminded those present that he and other Board members had served for a long time, and that it was important that others step up to the plate and serve on the Board.

8. Lease Extension Update: Postponed until after the meeting

9. Homeowners Forum

Homeowners made comments and asked questions of the Board and Management team.

10. Election Results

Jim Lewis announced that Jim Grosse and Charles House had been reelected.

11. Adjournment

Lease Extension Update

Following a break, Bob Fey spoke about the lease extension negotiations. Fey, a long-time real estate agent and an expert on Indian land leases, works with both the Agua Caliente Development Authority (ACDA), which represents the Indians, and with Steve Freeman, the “sandwich lessee” from whom we sublease. He has been helping both parties come to an agreement concerning an extension of Freeman’s lease with the Indians. That lease contains the essential terms that would govern any extension of our subleases with Freeman, and so is a necessary precursor to the extension.

Fey reported that the parties have basically come to an agreement, and Freeman is expected to sign it within a few days. He anticipates that the agreement will receive quick approval from the Bureau of Indian Affairs (BIA) because it is in a form approved by the BIA many years ago and used for the majority of leases in our area, and thus will probably not require the usual lengthy approval process. He also said that due to rule changes set to take place in August, if Freeman by chance does not sign the lease, the ACDA and BIA have committed to negotiating a parallel lease directly with us, something previously attempted unsuccessfully due to BIA rules that prohibited it. Freeman has been informed of this, and it undoubtedly places pressure on him to sign, lest he lose out on many years of future lease revenues. Fey estimates that, if everything goes as planned, he will be contacting homeowners within a few months with a detailed extension offer.

Fey gave an overview of the proposed sublease terms (all dollar amounts are approximate):

Expiration: The new sublease would replace the current one, and would run to May 2063.

Rent: The new annual land rent would be the current rent plus about \$2,000 (the current rent varies by unit size and by location in the development). The rent would be subject to a cost-of-living adjustment, with a cap, every five years beginning in 2014.

Extension Fee: There would be a one-time extension fee of about \$3,000.

Transfer/Refinance Fees: Sale of a unit would incur a transfer fee equal to six months' rent. Refinance of a unit would incur a fee equal to three months' rent.

Financing: Various small changes in wording from our current sublease would make the new sublease more attractive to mortgage lenders than the old, making it easier to obtain financing.

Offer Period: Once an extension offer is made, there would be a 90-day period in which to accept at the proposed rates. After that, acceptance would involve both a higher extension fee and a higher annual rent. After several years, the extension offer would be withdrawn. Those who had not accepted would lose their units to the Lessor when the current lease expires in 2031.