

November 24, 2009

RE: 2010 Approved Budget/Election Results/Notice of 2010 Board and Other Meeting Dates

Dear Caughlin Ranch Homeowners Association Members:

Results of the Caughlin Ranch Homeowners Association Annual Members' Meeting: On November 12, 2009 the proposed 2010 budget was discussed by the Association's members at the Annual Members' meeting. There were approximately 37 members at the Annual Members' meeting in person. Accordingly, a quorum was not present, and the meeting was conducted for informational purposes. Chairman Bill Magrath explained that NRS 116 provides that unless a majority of the Association's members reject the budget proposed by the Board to the membership, the budget is ratified. During the comment segment at the beginning of the Annual Members' meeting, a member requested that the Board consider that during these difficult economic times, that the Board not approve any salary or wage increases for the Association's employees. In addition, the member requested that the Board not approve any bonuses for 2009 to be considered at the next Board meeting because of the current economic conditions, and the fact that many of the Association's members are facing cuts in pay or severe reductions in revenue for their personal businesses. A second member commented that on the average, the increase in salaries and wages proposed in the 2010 budget is approximately \$2 per member; however, by comparison the cost of irrigating the Association's common areas is about \$200 per member. He suggested that the Association's members keep the numbers in perspective, and focus on where real saving could be achieved in the 2010 budget. There were no other questions or comments regarding the 2010 budget.

Announcement of the Results of the Election of the Executive Board: On November 6, 2009, at the offices of Grant Thornton, a homeowners' meeting was held for the purpose of counting the election ballots. The following Board members were elected by the Caughlin Ranch membership: Mike Heffner, Michele Attaway, and Ken Walters.

Approval of the 2010 Budget: At the November 18, 2009 Board of Directors meeting, the Board approved the 2010 Budget with no increase in members' annual assessments. In preparation of the 2010 Budget, the Association's Board conducted two noticed meetings with the members to discuss Association's operations and several key components of the Association's budget. The key components of the Association's 2010 budget are as follows:

- As required by Chapter 116 of Nevada Revised Statutes (NRS), the Board must update the Association's reserve studies every five years to determine if those reserves are sufficient, and review the reserve studies annually to determine if there are any changes warranted. The Board did not make any changes to the Reserve Studies approved in 2005. The amount of the monthly transfers for the NRS 116, Class C and Class D reserve funds are illustrated in the 2010 Approved Budget. The expenditures for 2010 are identified in the 2010 Approved Budget Footnotes, see enclosed.
- NRS Chapter 116 requires an annual audit of the Association's financial records. The 2008 Budget included an initial cost of \$25,000 for accounting fees to provide for the NRS-mandated annual audit and the new audited financial statement. While the Association uses a certified public accountant during the year, an independent accounting company, The CFO Group, was retained to complete audits for the fiscal years ending December 31, 2006, December 31, 2007 and December 31, 2008. As part of the audit procedures, the CFO Group has made specific recommendations to improve the Association's administrative controls and financial record keeping. These recommendations have been reviewed and implemented by the Board. The Board previously approved a three year contract with The CFO Group and reduced the expense of the annual audit. The amount budgeted in

the 2010 Budget for an audit of 2009 is \$16,500. There are additional quarterly fees incurred by the Association for the quarterly reconciliation of the Association's financial records by the Association's regular CPA.

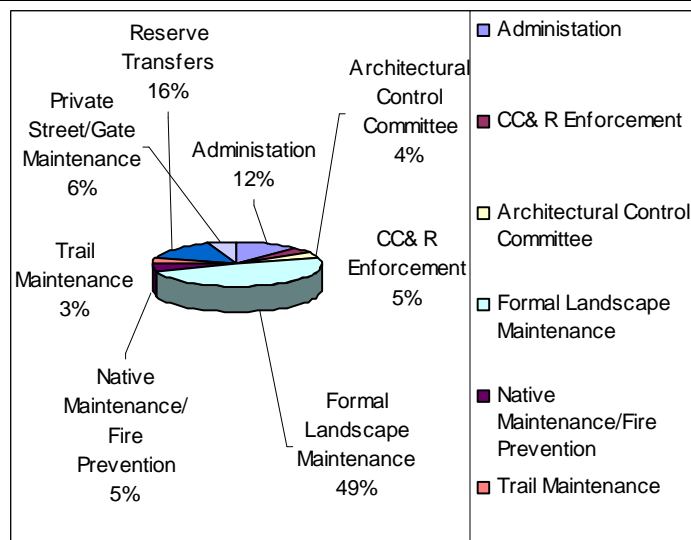
- In past years, the Board has approved bonuses for Association staff. In 2009, the Board has studied and approved a written Salary and Bonus Policy which will apply to 2009 and future years. Although bonuses have been approved in the past by the Board, bonuses are not automatically given to the Association's staff. At the November 18, 2009 Board meeting, the Board reviewed employee evaluations prepared by the Association's General Manager and the General Manager's recommendations for bonuses. The Board did not approve any bonuses for CRHA staff, as allowed by the Board's written policy and approved in 2009 Budget, in recognition of the difficult economic times facing many of the Association's members. The Board has included a line item for potential bonuses in the 2010 Approved Budget. However, the Board will not approve bonuses unless specific performance goals are met and/or exceptional circumstances warrant the approval of the bonuses.
- The Board approved \$11,100 in water conservation projects for 2010. The locations of the water conservation projects are identified in the 2010 Approved Budget Footnotes.
- Based on the new Salary and Bonus Policy approved by the Board in 2009, the majority of the Association's employees' salaries are at or above the 75th percentile for their position. In conformance with the Board's new policy these employees are only eligible for a cost of living increase for 2010. The Board approved salaries and wages for the Association's staff in the Approved 2010 Budget; however, these amounts will be adjusted to reflect the CPI for 2009, after the final statistical figures are available from the Bureau of Labor Statistics.
- There was a savings of \$36,585 in Administrative employees' salaries over the budgeted amount in 2009 because the Assistant Manager position was not filled until July 10, 2009 and the entry level salary was reduced in conformance with the Board's Salary and Bonus Policy. The total amount budgeted for 2009 for Administrative Employees' salaries was \$262,316. By comparison, the Board has budgeted \$251,416 in the 2010 Approved Budget for Administrative Employees' salaries. Accordingly, the difference between the approved 2009 budgeted amount of \$262,316 compared to the 2010 Approved Budget of \$251,416 is a decrease of 4%.
- The 2010 Approved Budget includes a 4.1% increase in hourly wages for the full-time landscape employees. The Board previously increased the number of seasonal laborers from 13 to 17 in 2007. That staffing level will continue for 2010. It has been noted that the additional seasonal landscape employees have been extremely beneficial in 2007, 2008 & 2009 to assist in responding to numerous requests for the removal of dead plant material, grass and debris in the Association's common areas creating concerns for fire danger, and to respond to homeowners' concerns about other maintenance issues. A wage increase for seasonal employees of 4.6% was approved in the 2009 Budget. There is no increase for Seasonal Employees in the 2010 Approved Budget.

The Board has approved the 2010 Budget which will NOT increase the annual membership assessments for 2010. In 2009, the Board replenished the Association's depleted cash reserves and budgeted for additional expenses in the 2009 Budget with the funds reimbursed for attorney's fees, and the funds received in the sale of EIG stock. One expense in the 2009 Budget (a one time expense for \$39,000 for additional repairs to the Alum Creek channel) was not completed in 2009 and has been carried forward to 2010. As with past Budgets, there is a fee charged with the first quarter assessments to support the state's Ombudsman's office as required by NRS Chapter 116, the fee was reduced from \$3.00 per unit to \$1.00 per unit (each lot is a unit). In addition, because the Washoe County Commission assesses a fee, added to the property tax bill of each property in the Truckee Meadows, for the clean up of ground water tainted with PCE, the 2010 Budget includes a charge of \$4.00 per unit. The total of \$5 will be included with the first quarter CRHA assessments. In past years, the Board has sent out a Summary Budget, and notified the membership that the entire Approved Budget, as reviewed by the Board, is available for

review at the Association’s office. This year, the entire Approved 2010 Budget is enclosed with footnotes. The Association’s current reserve studies are available for review at the Association’s office or copies are available upon request.

The following charts illustrate the Association’s major expenses by category for the Approved 2010 Budget:

ASSOCIATION’S MAJOR EXPENSES BY CATEGORY



Payment of Quarterly Membership Assessments

On May 6, 2009, the Board voted to approve implementation of a new processing plan for the payment and receipt of your CRHA quarterly membership assessments. The new lockbox system has been very successful. Detailed information as to how this decision was reached is contained within the minutes from the February and May 6th Quarterly Board Meeting minutes, which are posted on the Association’s website (www.caughlinhoa.com).

The Board of Directors selected the lockbox services provided by Alliance Association Financial Services (AAFS) and First Independent Bank of Nevada. Starting in 2010, Caughlin Ranch homeowners will receive a coupon booklet in the mail and the due dates for quarterly assessments will remain unchanged (January 1, April 1, July 1, and October 1). Your check must be made payable to the Caughlin Ranch Homeowners Association, but you will send it to the pre-addressed P.O. Box indicated on the coupons. The use of the new coupon booklet (which is printed with a bar code to identify your account) and return envelopes are critical to the effectiveness of the lockbox program to avoid delays in processing your payments. In the event you lose your coupon booklet or payment envelopes, CRHA’s office staff will continue to accept your check payment. The payment address is printed on each coupon in the booklet. You should receive them in approximately two weeks. Please note, payments will no longer be sent to the Association’s office, please do not use old return envelopes with the Association’s address.

AAFS will provide the opportunity to pay on-line or with a credit card. It is our understanding that there will be a convenience fee for credit card payments. Please review all payment information thoroughly. When making a payment, regardless of the method, please be sure to reference your account number to ensure your account is credited accurately and to avoid delays in processing your payment. It is vital that all payments be accompanied by the bar code contained on the tear-off portion of the coupon booklet. This allows for the computer scanning

equipment to identify your account, so the payment is credited to your account. Also, if you own more than one property, please write separate checks for each property. Each property requires a separate coupon and check.

A \$5 charge is included in the first quarter payment for the Ombudsman's Office (\$1) and PCE fee (\$4).

Notice of Next CRHA Board Meeting – January 6, 2010 @ 6:00 pm. The next meeting of the Association's Board of Directors will be held on January 6, 2010, at 6:00 p.m. at the Caughlin Ranch Elementary School, in the school's cafeteria at 4885 Village Green Parkway, Reno, Nevada. An Agenda for that meeting will be available at the Association's office ten (10) days before that meeting.

Board of Directors Meeting Dates and Board Meeting Structure

At the May 5, 2009 Board meeting, the Board revised the 2009 Board meeting dates and added two additional Board meeting dates for 2010. In addition, the Board implemented a "consent agenda" to allow the Board to approve all the items on the consent agenda without discussion, unless a Board member wants to pull specific items from the consent agenda for further clarification. The Board members indicated that this will help reduce the length of time of each meeting and would enable the Board to conduct more business in a shorter period of time. The Board indicated the purpose of the change is to increase effectiveness and efficiency.

If an item is not resolved within the allotted time, it will be carried over to the next scheduled Board Meeting. In addition, the Board approved a new policy that the Executive Session of the Board Meeting will be conducted before the open session of the Board Meeting. The Executive Session will be held at 6:00 p.m. and the Board meetings will be held from 7:00 p.m. to 9:00 p.m. At the November 18, 2009 Board meeting, the Board postponed consideration of a number of policy issues. These policy matters will be reviewed in detail at Workshops exclusively for that purpose.

2010 Board of Directors Meeting Dates & Other Important Dates

January 6	--	Board of Directors Meeting
January 9	--	Strategic Planning Session
February 20	--	Board Policy Workshop
March 10	--	Board of Directors Meeting
April 17	--	Board Policy Workshop
May 1	--	Spring Annual Walk Through
May 6	--	Board of Directors Meeting
June 21	--	Special Board of Directors Meeting
July 7	--	Board of Directors Meeting
August 21	--	Strategic Planning Session
September 1	--	Board Meeting/First Budget Workshop
September 15	--	Board Meeting/Second Budget
October 14	--	Candidate Forum
November 8	--	Homeowners Meeting/Ballot Count
November 10	--	Annual Homeowners' Meeting
November 18	--	Board of Directors Meeting/Final Budget

2010 Neighborhood Advisory Committee Meeting Dates

Regular Meetings of the Neighborhood Advisory Committee shall take place approximately two weeks prior to each Caughlin Ranch Board of Directors meeting. A summary of issues and/or recommendations shall be prepared and submitted to the Board for consideration. The following are the Neighborhood Advisory Committee meeting dates:

December 16, 2009	August 19, 2010
February 18, 2010	September 1, 2010 Budget Workshop
April 22, 2010	October 21, 2010
June 24, 2010	

Comparison of Association’s Annual Assessments – 2008 to 2010.

There is NO annual assessment increase in the 2010 Approved Budget for the Caughlin Ranch Homeowners Association. The following represents the CRHA annual assessments for the 2010 Budget approved by the Board and a list of Caughlin Ranch Sub-Association assessments and comparison of other surrounding homeowners’ association dues. Many homeowners’ associations are in the process of reviewing their budgets for 2010, so these amounts may change, once their budgets are reviewed and approved. The information below represents the current assessments for each homeowners’ association; the amount for the annual assessment may be increased for 2010 for the Sub-Associations within Caughlin Ranch, please make sure that you contact the management company for the Sub-Association to determine the assessment for 2010.

	<u>2008 CRHA ASSESSMENTS</u>	<u>2009 CRHA ASSESSMENTS</u>	<u>2010 CRHA ASSESSMENTS</u>
CLASS “A”	\$182.60/quarter	\$182.60/quarter	\$182.60/quarter
CLASS “B”	\$273.90/quarter	\$273.90/quarter	\$273.90/quarter
CLASS “C”	\$546.70/quarter	\$546.70/quarter	\$546.70/quarter
CLASS “D”	\$364.65/quarter	\$364.65/quarter	\$364.65/quarter
CLASS “E”	\$248.80/quarter	\$248.80/quarter	\$248.80/quarter

CAUGHLIN CREEK - \$290/quarter	PLUS CRHA CLASS C ASSESSMENTS of \$546.70/ quarter
EAGLESNEST - \$459/quarter	PLUS CRHA CLASS B ASSESSMENTS of \$273.90/ quarter
ALUM CREEK - \$184/quarter	PLUS CRHA CLASS A ASSESSMENTS of \$182.60/ quarter
PROMONTORY POINTE - \$915/quarter	PLUS CRHA CLASS B ASSESSMENTS of \$273.90/ quarter
RIVER RUN - \$240/month	PLUS CRHA CLASS A ASSESSMENTS of \$182.60/ quarter
VISTA POINTE- \$265 /quarter	PLUS CRHA CLASS A ASSESSMENTS of \$182.60/ quarter
PINECREEK - \$725/quarter	PLUS CRHA CLASS B ASSESSMENTS of \$273.90/ quarter

NON-CAUGHLIN RANCH NEIGHBORHOOD ASSESSMENTS LISTED FOR COMPARISON

JUNIPER RIDGE	Managed by Eugene Berger -	\$108/month
ARROWCREEK	Managed by Associated Management -	\$384/2008 Reserve Study \$324/quarter
LAKERIDGE SHORES	Managed by Associated Management -	\$540/quarter plus \$750 master (townhomes)
LAKERIDGE SHORES	Managed by Eugene Berger -	\$750/quarter master
SOMERSETT	Managed by Associated Management -	\$477/quarter /plus extra for gated communities

In conformance with NRS 116, a copy of the Association’s collection policy is enclosed. On behalf of the Caughlin Ranch Board of Directors you are encouraged to attend the meetings of the Caughlin Ranch Homeowners

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Association. Written comments can also be sent to the Association's office in the event you can not attend. If you have any questions or comments, please contact me at the following email address – manager@caughlinhoa.com – or call the Association's office at 746-1499. Thank you and Happy Holidays.

Sincerely,

Michael Trudell, General Manager
CAUGHLIN RANCH HOMEOWNERS ASSOCIATION

Enclosures