

South T Bar Ranch
Property Owners Association
Informational Briefings & Special Meeting
October 20, 2007

- | | |
|----------------|--|
| 8:30- 9:00 am | Member sign in, informal discussion, coffee |
| 9:00-10:00 am | Informational briefing on mineral rights issues |
| 10:00-11:15 am | Special POA Meeting
-Call to Order
-Determination of quorum
-Present ballot question
-Discussion of ballot question
-Conduct vote on ballot question
-Tally & announce results
-Adjourn |
| 11:15-12:00 pm | Informational briefing on LLC formation (if LLC ballot question is approved by POA members during special meeting) |

**SOUTH T-BAR RANCH PROPERTY OWNERS ASSOCIATION, INC.
SPECIAL MEETING OF MEMBERS
October 20, 2007**

Ballot Question / Proposal

This is not a ballot.

This is your copy of the wording on the official ballot.

The Board of Directors of the South T-Bar Ranch Property Owners Association, Inc. proposes and recommends that the members of the Association approve and authorize the Association's Board of Directors to take the following actions:

- form a for-profit Colorado limited liability company ("LLC") for the purpose of holding and managing mineral assets; and
- transfer and convey 100% of the mineral assets owned by the South T-Bar Ranch Property Owners Association, Inc. ("Association") to the LLC in exchange for 100% of the management membership interest in the LLC; and
- offer to each voting member of the Association the opportunity to purchase one LLC economic membership interest for each Association membership interest held by such voting member; provided that the purchase price of each economic membership interest in the LLC shall be \$1,000, which purchase price shall be payable by a minimum contribution of \$250 in cash with the balance payable to the LLC in the form of an interest bearing promissory note.

You cannot vote FOR one part of the Proposal and AGAINST another part.

You must vote FOR or AGAINST the Proposal in its entirety.

SOUTH T-BAR RANCH PROPERTY OWNERS ASSOCIATION

P.O. Box 1431
Cañon City, Colorado 81215-1431

Board of Directors

President – Jim Greenwood
Vice President – Sam Knopp
Treasurer – Betty Sue Cornella
Secretary – Ann Eulert
Dean Cornella Jack Davis
Gary Lack Joe Price
Mark Trotta

October 19, 2007

To: The South T-Bar POA membership
From: STB POA Board of Directors
Re: Volunteering to Assist the POA Board

At the 2007 annual meeting, several of you volunteered to assist the board in the business of managing the POA. The Board appreciates these offers, and we apologize for not being proactive at recruiting those who expressed interest in assisting our efforts. It has been all we as a board can do to bring ourselves up to speed and keep up with the rapid pace of the mining situation, while still maintaining all of the other non-mining related obligations we have. It seemed to us that bringing more people into the group would actually increase the work load, as they also would need to be brought up to speed on the issues. I'm sure many of you have been in this situation as a manager, and found it easier to do the work yourself rather than recruit someone else. We also have a relationship with our law firm that is complicated by additional parties that are not board members.

However, we foresee that once the LLC is formed, there will be additional opportunities to get more volunteers involved and we think this is an appropriate time to start the process of bringing those volunteers up-to-speed. In the long run, the more parties we have fully involved in the issues, the better the POA will run. To that end, the board is extending another offer for volunteers to assist in the mining and non-mining operations of the POA. Hopefully, the upcoming vote will go as the Board recommends, and we will go forward with the LLC. If that happens, the LLC will take over most of the mining activities, and the POA will revert to its pre-mining tasks.

We welcome any volunteers who are able to work within a committee structure, and who are willing to put personal feelings aside and put the overall interests of the POA first.

The areas that the board and the LLC will be working on in the future are listed below. If you have a desire to contribute your time and energy to any of these areas, please contact board member Sam Knopp at sknopp@comcast.net, or any other board member of your choosing.

POA Board Activities:

Road maintenance
Gate issues
Trash issues
Ranch Security
Information Distribution
Covenant Compliance

LLC Activities:

Environmental Issues
Communication
Financial
Lease/Contract Administration
Operating Procedures

**South T-Bar Ranch POA
Board of Directors**

Information for the Special South T-Bar POA Meeting, October 20, 2007

Who is allowed to attend the meeting?

The meeting is for South T-Bar Ranch Property owners ONLY and does NOT include owners of surrounding parcels. You MUST own property within South T-Bar Ranch, represent a South T-Bar property owner (i.e. proxy holder or designated representative), be a member of the Board, or be associated with the POA's attorney's team to attend the meeting. Members of the immediate family of any these groups may also attend.

What rules of conduct will be used?

The existing "Procedures for Conduct of Owner Meetings" policy will be used (see attached). However, the Board has waived certain requirements for the conduct of the special meeting only. These are noted in the attachment.

Will there be an opportunity to discuss other issues related to the POA?

No. No discussion or business other than the ballot question will be allowed. The Special Meeting has been noticed for the sole and specific purpose of voting on the proposal.

Will amendments to the ballot question be allowed?

No. Amendments to the ballot question will not be entertained. The Special Meeting has been noticed for the sole and specific purpose of voting on the proposal.

What authority does the Board have to make decisions regarding mining?

While the Board does not have authority regarding the surface rights of individual parcels except as outlined in the covenants, the Bylaws clearly state that "*The business and affairs of the POA shall be managed by its Board of Directors. The Board shall have the powers and duties necessary for the administration of the affairs of the POA and for the operation and maintenance of the Property.*" (Article III, Section 1)

Has it been verified that the POA actually owns 51% of the mineral rights?

As of October 5, 2007, documents from the 1950s are being reviewed for the Title Chain Analysis. We do not expect this work to be completed before the October 20, 2007, Special Meeting. However, the attorneys have indicated that they will be able to summarize the state of the POA's mineral rights at the October 20, 2007 special POA meeting.

*All page and paragraph numbers refer to the attorney's letter included in the special meeting packet from Dufford & Brown

Is it necessary to have the LLC set up with a management membership interest?

The management interest is necessary for the LLC to be able to conduct business. *“The holder of the management interest (the POA via the Board) would make all management and operational decisions concerning the LLC”* (page 3, paragraph 4*). In the LLC formation, each participant must contribute something of value as a condition of membership. The POA is contributing the mineral rights to the LLC in exchange for the management interest, and therefore maintain the POA’s oversight of how its mineral rights are used by the LLC.

Can the LLC be set up with only one class of membership interests?

No. Having only one class of membership interests would not allow the POA Board to serve as the manager of the LLC.

What is the purpose of the management membership interest?

“The holder of the management interest (the POA via the Board) would make all management and operational decisions concerning the LLC” (page 3, paragraph 4*). Specifically, the POA’s board, through its management interest in the LLC, would negotiate the terms of a minerals lease and monitor the progress of any mining operation, insure that appropriate reclamation is done, and protect the interests of the POA as much as possible.

Who would hold a management membership interest?

“The POA would transfer its interest in the minerals to the LLC in exchange for the sole management membership interest.” (page 3, paragraph 4*). The POA board would control this management interest. This is a collective interest of the whole POA membership, and not representative of any individual POA member.

Who will financially benefit from this management membership?

“The POA [holder of the sole management interest] would not participate in the distribution of profits or losses.” (page 3, paragraph 4*).

What will a management membership cost?

“The POA would transfer its interest in the minerals to the LLC in exchange for the sole management membership interest.” (page 3, paragraph 4*).

Can I hold both an economic and management membership interest?

There will be only one management interest, and it will be held by the POA through its board. No individual will hold a management interest. However, an individual POA member can hold an economic interest by becoming a member of the LLC.

What influence does the management membership interest have over the LLC in relation to an economic membership?

“Members holding economic interests would serve as passive investors and would not directly participate in the management or operation of the LLC.” (page 3, paragraph 3*).

“The holder of the management interest (the POA via the Board) would make all management and operational decisions concerning the LLC” (page 3, paragraph 4*).

*All page and paragraph numbers refer to the attorney’s letter included in the special meeting packet from Dufford & Brown

The management interest will run the day-to-day operations of the LLC. The management interest will decide when it is appropriate to distribute any revenues of the LLC. Since there is no economic benefit to the management interest (the POA), there is no incentive to hold back the distribution of funds. However, it is the responsibility of the LLC management to retain sufficient funds for conducting the LLC's business.

Will a holder of a management interest bear a tax burden even if the LLC does not turn a profit?

"The POA [holder of the sole management interest] would not participate in the distribution of profits or losses." (page 3, paragraph 4*). Since the POA will not receive any income from its management interests, there should be no tax liability associated with the management interest.

How are profits and losses determined that will be distributed pro rata to an economic membership?

"The sole purpose of the LLC would be to manage the minerals and distribute profits and losses generated from the minerals (net of operating costs and expenses) to the LLC members." (page 3, paragraph 2*). *"Profits and losses from the LLC should be distributed to its economic interest members pro rata."* (page 3, paragraph 3*).

Specifically, the LLC will retain sufficient funds to cover anticipated operating expenses and distribute any remaining funds with an equal share going to the holder of record for each economic membership. There are numerous ways that the potential profits from the mineral rights may be obtained. It is not likely that the LLC will sell our uranium to a mining company, and even if that were to occur, it would not be at a spot market price. It would be a portion of the NET revenues, not the GROSS revenues that would be available for distribution to the economic members. There would be significant costs associated with the extraction and processing of the minerals, as well as operating costs of the LLC. All of these factors must be taken into account before any net profits can be distributed. A more likely scenario is that the LLC will lease the mineral rights to a mining company. The exact form of this lease cannot be negotiated until the LLC is formed. However, the Board is currently evaluating alternative scenarios for lease of the mineral rights to a mining company.

Have the governing documents for this LLC been drafted and will the POA Membership have access to them prior to any vote?

Per the August 30, 2007, update on the web site, *"The setup of the LLC has been put on hold until the Title Chain Analysis has been completed and the title to the minerals has been confirmed."* Per the October 2, 2007, update on the web site, *"The setup of the LLC remains on hold for now."* In other words, at the direction of the POA's Board of Directors, the documents creating the LLC have not been finalized yet and are not available for review. The Board has weighed the desire to move promptly on the STB mineral rights issue (see the enclosed timeline) with its desire to not spend money on formation of the LLC unless it is approved by the POA membership on October 20, 2007.

*All page and paragraph numbers refer to the attorney's letter included in the special meeting packet from Dufford & Brown

What happens to the LLC if the mining doesn't occur?

The LLC would continue to exist as long as it holds an asset. For example, the LLC would be expected to pay property taxes on the value of its asset every year. The property taxes on the POA's mineral interests are currently estimated at \$68.00 per year.

It also should be noted that the LLC may negotiate a mineral rights lease with a mining company even if the company decides to not initiate mining at this time. It is not unusual for mining companies to secure mineral rights in advance of plans to actually mine. Therefore, the LLC may be needed to oversee a mineral rights lease even if mining does not occur at STB.

Are we rushing this?

The economic subcommittee prepared the attached "Mining Timeline" which shows the steps and the approximate timeframe for each step. You will notice that there are a lot of steps that have to take place, and that 75% of them are dependent on the formation of the LLC. You will also notice that under the best of conditions, the earliest that the LLC could receive any monies which could be distributed to members is estimated to be August, 2008. Much important work remains to be done, but the Board cannot pursue it until we have the LLC legal structure in place. In the Board's opinion, we need to get the LLC formed so that we can move on to critically important tasks, such as developing an RFP for mining companies to respond to, and negotiating a mineral rights lease with a company that is environmentally sensitive and financially prudent.

**PROCEDURES FOR THE CONDUCT OF OWNER MEETINGS
WITH WAIVERS FOR OCTOBER 20 SPECIAL MEETING ONLY**

PURPOSE: To facilitate the efficient operation of Owner meetings by establishing a policy and procedures for the conduct of Owner meetings.

AUTHORITY: The Declaration of Protective Covenants (hereinafter "Declaration"), Articles of Incorporation and Bylaws of the Association and Colorado law.

Meetings of the Owners of the Association shall be called pursuant to the Bylaws of the Association.

1. Notice.

- (a) In addition to any notice required in the Bylaws, the Association shall also post notice on its website of all Owner meetings. Such notice shall be posted 30 days prior to such meeting.
- (b) If any Owner has requested that the Association provide notice via email and has provided the Association with an email address, the Association shall send notice of all Owner meetings to such Owner at the email address provided as soon as possible after notice is provided pursuant to the Bylaws but in no case less than 24 hours prior to any such meeting.

2. Conduct.

- (a) All Owner meetings shall be governed by the following rules of conduct and order:
 - (1) The President of the Association or designee shall chair all Owner meetings.
 - (2) All Owners and persons who attend a meeting of the Owners will sign in, present any proxies and receive ballots as appropriate. (See section below regarding voting).
 - ~~(3) Any person desiring to speak shall sign up on a list provided at check in and indicate if he/she is for or against an agenda item.~~

Waived by Board for 10/20/2007 Special Meeting Only

- (4) Anyone wishing to speak must first be recognized by the Chair.
- (5) Only one person may speak at a time.
- (6) Each person who speaks shall first state his or her name and Parcel Number.
- (7) Any person who is represented at the meeting by another person, as indicated by a written instrument, will be permitted to have such person speak for him/her.
- (8) Those addressing the meeting shall be permitted to speak without interruption from anyone as long as the following rules are followed:
 - (A) Comments are to be offered in a civilized manner and without profanity, personal attacks or shouting.
 - (B) Comments are to be relevant to the purpose of the meeting.
 - (C) Each person shall be given up to a maximum of three minutes to make a statement or to ask questions. Such time limit may be increased or decreased by the Chair, but shall be uniform for all persons addressing the meeting. If the Board has questions for an Owner, neither those questions nor the Owner's response to those questions will be counted against the allotted time for the Owner to speak.
 - (D) The Board may decide whether or not to answer questions during the meeting.
 - ~~(E) Each person may only speak once.~~
Waived by Board for 10/20/2007 Special Meeting
Only
 - (F) Yielding of time by a speaker to another individual shall not be permitted.
- (9) All actions and/or decisions will require a first and second motion.
- (10) Once a vote has been taken, there will be no further discussion regarding that topic.
- (11) So as to allow for and encourage full discussion by Owners, no meeting may be audio, video or otherwise recorded. Minutes of actions taken shall be kept by the Association.
- (12) Anyone disrupting the meeting, as determined by the Chair, shall be asked to "come to order." Anyone who does not come to order immediately will be asked to leave the meeting.
- (13) The Chair may establish such additional rules of order as may be necessary from time to time.

3. Voting. All votes taken at Owner meetings shall be taken as follows:
- (a) Contested elections of Board members, defined as elections in which there are more candidates than positions to be filled, shall be conducted by secret ballot. Each Owner entitled to vote pursuant to the Bylaws shall receive a ballot. The ballot shall contain no identifying information concerning the ballot holder. In the event an Owner holds a proxy for another Owner, upon presentation of such proxy to the Secretary of the Association or the Secretary's designee, the Owner shall receive a ballot to cast the vote of the Owner who provided the proxy. The proxy shall be kept and retained by the Association.
 - (b) Uncontested elections of Board members, defined as elections in which the number of candidates is equal to or less than the positions to be filled, and all other votes taken at a meeting of the Owners shall be taken in such method as determined by the Board of Directors including acclamation, by hand, by voice or by ballot. Notwithstanding the above, at the discretion of the Board or upon the request of 20% of the Owners who are present at the meeting or represented by proxy, uncontested elections of Board members or other votes on matters affecting the community shall be by secret ballot.
 - (c) Written ballots shall be counted by a neutral third party, excluding the Association's managing agent or legal counsel, or by a committee of volunteers who are not Board members, and in the case of a contested election, are not candidates. The committee shall be selected or appointed at an open meeting, in a fair manner, by the Chair or another person presiding during that portion of the meeting.
 - (d) The individual(s) counting the ballots shall report the results of the vote to the Chair by indicating how many votes were cast for each individual or how many votes were cast in favor and against any issue.
4. Proxies. Proxies may be given by any Owner as allowed by C.R.S. 7-127-203.

All proxies shall be reviewed by the Association's Secretary or designee as to the following:

- (a) Validity of the signature
- (b) Signatory's authority to sign for the Parcel Owner

- (c) Authority of the Parcel Owner to vote
 - (d) Conflicting proxies
 - (e) Expiration of the proxy
5. Definitions. Unless otherwise defined in this Policy, initially capitalized or terms defined in the Declaration shall have the same meaning herein.
 6. Supplement to Law. The provisions of this Policy shall be in addition to and in supplement of the terms and provisions of the Declaration and the law of the State of Colorado governing the Association.
 7. Deviations. The Board may deviate from the procedures set forth in this Policy if in its sole discretion such deviation is reasonable under the circumstances.
 8. Amendment. This Policy may be amended by the Board of Directors.