

**QUESTIONS AND ANSWERS FOR THE MULTI-YEAR TEMPORARY ASSESSMENTS**

Q. What is the total amount of the proposed multi-year temporary assessments?

The total amount of the requested investment is \$25,686,500. Black Butte Ranch’s master design documents require the amount to be divided equally between the 1,253 Ranchowner properties, meaning each lot owner will be assessed \$20,500 in temporary assessments.

The multi-year temporary assessments schedule is as follows:

- \$5,000 in September 2026
- \$9,000 in January 2027
- \$3,500 in January 2028
- \$3,000 in January 2029

These amounts are in addition to the normal baseline annual dues payments.

Q. If approved, how will the funds be allocated?

The funds will be allocated to the following Ranch cash and capital projects to be completed over the next five years:

<b>DEBT REPAYMENT</b>	
Lodge Loan: Principal & Interest	\$3,953,750
Lawsuit Settlement Loan: Principal & Interest	\$1,788,250
<b>CAPITAL NEEDS</b>	
Wastewater Treatment Plant	\$6,300,000
Well #3 Rebuild	\$1,200,000
Big Meadow Golf Greens Restoration	\$ 800,000
Capital Contingency Fund	\$5,000,000
New, Unplanned and Emergency Capital Projects	\$3,052,500
Deferred Maintenance/Prepayment Discounts/Recapitalization*	\$3,592,000

\*This final category includes among other things deferred maintenance rolled over from prior years, an infusion to cash flow needed later this year, and an allowance to cover the cost of those Ranchowners who choose to prepay the assessment and receive a discount.

Q. What led to the need for these multi-year temporary assessments?

Since 2018, the Ranch has experienced increasing financial pressures, increasing capital needs, and elimination of some and reductions in other reserves. A number of major issues have driven the financial challenges: aging Ranch infrastructure that requires significant repair or replacement, the Lodge financing, a 300% increase in Ranch insurance premiums, the COVID-19 pandemic, the high rate of inflation following the COVID-19 pandemic, and a changing regulatory environment—such as how Ranch wastewater is treated and released.

Ranchowner dues—which have been increased to 6% (the maximum allowed without a vote) per year since 2024—have not provided enough funding to keep up with the financial pressures and needs on the Ranch.

Here is a snapshot of the problem since 2018. While annual dues revenues have increased \$2.3 million or 37%, other annual costs have gone up much more:

- Annual labor costs have increased by \$5.8 million, up 72%, driven by hourly rate and salary increases, with only minor increases to headcount necessary to operate the Lodge
- Annual Ranch insurance costs have increased by \$1,356,438, up 362% on substantially similar coverage
- Annual property taxes have increased to \$300,000, up 76%
- Capital equipment costs for reserve study items increased by \$5 million, a 40% increase

Among the greatest financial challenges is the ongoing deterioration of the 55-year-old infrastructure on the Ranch as well as the completion of necessary capital projects, including:

- Previously completed or in process:
  - The \$1.2 million repair of roof and interior wall water damage to the GMRC facility
  - The \$500,000 Lakeside Bistro HVAC replacement
  - The \$100,000 Paulina Spring restoration project
- Projects needing funding to complete:
  - The \$800,000 Big Meadow Golf Course greens replacement
  - The \$1.2 million replacement of Well #3, which supports irrigation of the Glaze Meadow Golf Course and nearby manmade lake system
  - Weir replacements that must be made to measure water flow and protect our water rights

Other very significant pressures come from new Oregon Department of Environmental Quality (DEQ) regulations, which have mandated changes to Ranch sewer and wastewater treatment facilities. The needed improvements and repairs are driving extraordinary expenditures, such as:

- Expenditures already incurred:
  - \$2.1 million for significant engineering and legal expenditures along with various improvements, including a new headworks screen, wheel line replacement, system risers and other capital items
- Expenditures that need funding to be completed:
  - \$3.5 million for Chlorine Contact Basin replacement
  - \$3.5 million for Flow Equalization Tank installation
  - Future mandated repairs and enhancements that have yet to be determined but will be significant

Additionally, the new Lodge project cost placed a great strain on Ranch resources and reserves, including:

- A \$5 million increase in cost beyond the \$15.6 million originally proposed, which included a \$376,315 HVAC system upgrade
- Costs increased late in design related to inflation and COVID-19 pandemic effects on supply chain and cost issues
- The project was originally expected to be funded with 1/3 from future capital reserves, 1/3 from an assessment, and 1/3 from loan financing to be repaid from future capital reserves
- When the project costs increased, funding plans were revised to maintain the initial capital reserve and assessment funding, while increasing loan financing
- However, while loan financing was favorably arranged at a low fixed interest (~3%) and a 15-year term, the Ranch's capital reserves were depleted by other inflation-related impacts
- Capital reserves are no longer anticipated to be available for future principal and interest payments for the Lodge loan, which will be \$931,000 per year until 2026, declining to \$ 531,000 until 2037

Q. When did the Board know about the need for significant Ranchowner assessments and was this need communicated transparently to Ranchowners?

Near the end of 2023, it had become apparent that the Ranch would need a cash infusion to address capital needs and sustain Ranch operations. The Board began advising Ranchowners of the need for large upcoming assessments at the June 2024 Annual Meeting, and again at the 2025 Annual Meeting, as well as multiple Ranchowner forums that began in the spring of 2025.

Q. Why are these multi-year temporary assessments being brought forward now rather than in 2023 when concerns became apparent?

The financial issues facing the Ranch are complex and many were unresolved until recently. For instance, DEQ-mandated upgrades to the wastewater treatment plant have been a work-in-process for multiple years, and serious and highly costly litigation against the Ranch was not concluded until the spring of 2026. In order to present to the Ranchowners a multi-year temporary assessment request, the lawsuit matter needed to be resolved prior to a vote.

New Ranch management under Kyle Cummings as CEO and Brian Burns as CFO supported the Board's direction to emphasize strict capital expenditure and cash management until the full picture of Ranch finances could be known. This allowed the Board to defer new assessments by two years, while also building a new structure of fiscal oversight and long-range capital expenditure planning.

During this time many scenarios for funding the Ranch's competing financial priorities were tested and assessed, ultimately leading to the proposed multi-year temporary assessments and New Ranchowner Capital Reserve Fee proposal now before Ranchowners on this May 2026 ballot.

Q. Why are multi-year temporary dues increases being proposed versus a one-time special assessment?

According to the Ranch's master design, the Board can increase baseline dues by a maximum of a 6% increase per year. Any additional funding requires a vote of the Ranchowners to either increase dues by more than 6% or approve a special assessment. A special assessment requires a related specific purpose or project, such as the new Lodge, while multi-year temporary assessments provide flexibility for addressing the myriad needs facing the Ranch at this time.

Q. What work has been done to develop a plan for addressing the Ranch's financial needs?

To analyze the financial issues and develop a strong plan, several critical steps have been taken.

First, the Ranch Capital Reserve Study has been routinely updated to capture the impact of inflationary pressures on upcoming and necessary replacement items. This

guiding document has enabled Ranch management and the Board to focus on fiscal stability and sustainability to conduct long-range capital planning. In addition, the Board committee structure was expanded to improve oversight and accountability in the management of Ranch resources and expenditures.

Second, to support excellence in financial planning and fiscal management and oversight, the Board has expanded its committees made up of Ranchowners with strong professional backgrounds in financial administration and capital expenditures management. This structure includes four fiscally focused committees including the Finance Committee, the Facilities and Infrastructure Committee, the Financial Health Committee, and the CAPEX (Capital Expenditures) Committee. A Ranchowner Communications Committee also has been established with a focus on providing transparent and timely information to Ranchowners, particularly about the finances of the Ranch.

Third, management, the Board and Board committees have worked together to develop a comprehensive plan to address the capital replacement needs in the Capital Reserve Study as well as the historical unplanned capital needs related to the deterioration of the Ranch's aging infrastructure; pay off debts; build back cash reserves; and recapitalize the Ranch to achieve sustainable cash flows.

The proposed multi-year temporary assessments and the New Ranchowner Capital Reserve Fee are lynchpins in this comprehensive plan for stabilizing the Ranch's finances and ensuring a sustainable financial outlook.

Q. Have all the potential future capital needs been captured?

To help prevent any unforeseen needs and expenditures the new Facilities and Infrastructure Committee is working closely with management to build on the Capital Reserve Study to (1) inventory, document, and analyze every major physical asset on the Ranch, (2) ensure an assessment of each asset's current condition, useful life, and repair or replacement status has been captured, (3) ensure we have a plan to anticipate and avoid emergencies with the Ranch's aging infrastructure. Members of this committee have extensive engineering and management experience to help anticipate failures and minimize future expenditures.

Q. Will these multi-year temporary assessment fully resolve all these items, or should additional assessments be expected?

At this time, there are two additional financial needs we foresee that are not captured in the proposed multi-year temporary assessments.

- The first involves anticipated additional DEQ-mandated capital improvements to address wastewater matters. The cost of meeting DEQ requirements for Wastewater Treatment Plant effluent quality and timing cannot be reliably estimated until we have a final permit renewal agreement with DEQ, which we anticipate to occur within the next year. Once these requirements are known, Ranch management, the Board and our committees will assess the Ranch's financial reserve capacity to accommodate the improvements. It may be possible to fund mandated improvements through reserves or dues, but it is possible that a special assessment may be required to address these needs.
- The second potential assessment is related to the Anderson litigation. The proposed multi-year temporary assessments will cover the cost of interest payments of about \$280,000 per year and an annual principal payment of \$60,000 per year while the loan is outstanding. But a balloon payment to retire the remaining \$4.1 million loan balance will be required in May 2031. Over the course of the next year, the Board will consider putting a special assessment before Ranchowners that would result in an early pay-off of this loan.

Q. What is the Ranch doing to trim expenditures and prevent cost overruns?

The Board and Ranch management have adopted an approach focused on cost control, accountability, and transparent cost accounting. Within this approach are attributing full costs to each service and amenity so management and the Board can evaluate true profitability and the level of Ranchowner subsidy required. That clarity is driving data-based decision-making on whether to continue, modify, outsource, or sunset offerings that don't meet financial or community objectives or that may need to be curtailed in order to fund key projects. In parallel, the Facilities & Infrastructure Committee—bringing engineering and facilities expertise—is working closely with management to address existing infrastructure to help minimize future surprise capital expenditures.

Q. Cost overruns and unexpected expenses have occurred in recent years including the Lodge, the GMRC project, and the HVAC systems at the Lodge and the Lakeside Bistro. Why did these issues happen, how are we paying for them, and what has been done to ensure they do not happen again?

Both the Lodge and GMRC projects encountered unanticipated issues that drove costs higher. For the Lodge, high inflation and supply chain issues caused over \$4 million in additional costs. New loan financing was required to pay for this increase. A portion of the proposed multi-year temporary assessments will pay off a portion of the existing loan, whereas the remaining balance will continue to be paid over time through other revenue sources.

For the GMRC facility, once the project was underway and the roof was removed, extensive interior water damage was detected inside the walls of the natatorium, caused by the construction company failing to install the water vapor barrier to specifications when construction was done in 2007. Unfortunately, the statute of repose prevented the Ranch from obtaining a claim against the original contractor. This required extensive additional work and cost to repair. While most amounts for the GMRC work have already been paid, a remaining \$400,000 will be paid through the proposed multi-year temporary assessments.

Regarding the HVAC systems in the Lodge and Lakeside Bistro, these projects were built to code and specifications, but practical and aesthetic choices led to decisions that created more cost. These HVAC improvements were necessary for the safety of our employees and in the case of the Lakeside Bistro, for the improved experience for Ranchowners and guests. Payments for HVAC work were made as bills were incurred and no part of the temporary assessment will address these issues.

Several different committees have now been charged with collaborating to evaluate and oversee construction needs and management of projects including the Finance Committee, the Facilities and Infrastructure Committee, the Financial Health Committee and the CAPEX Committee. This expanded accountability and overlapping areas of oversight are intended to functionally prevent mistakes, poor decisions and surprises and ensure well-planned, multi-staged reviews and fiscal transparency. Improvements in and adherence to the requirements for multiple-vendor bidding of projects will also be observed.

Q. What happens if the proposed multi-year temporary assessments are not passed by Ranchowners?

If this vote fails, the Board will immediately develop and propose a new request to Ranchowners to be voted on as soon as possible.

But several major capital projects must proceed soon, including improvements to the Wastewater Treatment Plant Chlorine Contact Basin and Flow Equalization Tank to

meet DEQ discharge requirements, and drilling a new Well #3 to be able to water the Glaze Meadow golf course, along with several other priorities.

Ranch management has already and will continue to pursue specific expense cuts such as elimination of \$58,000 in summer hourly employee gas incentives, elimination of GMRC check-in staffing, reduced landscaping maintenance labor, restriction of Section Five pit usage for Ranchowners, pine needle program pricing adjustments, reduction in Activity Center hours, reduction in Rental Guest services staff, reduction of GMRC retail and spa days and hours of service, and the reduction of expenditures in the Ranch Sales and Marketing Department.

If the vote fails, these short-term initiatives pale compared to the actions that we would have to consider, which would have significant impacts for Ranchowners and guests. These changes could include: mass layoffs involving every department; closing the Lodge except for weddings and special events; closing at least one golf course; closing all but one or two of the pools; closing or scaling back most of the food and beverage outlets; curtailing maintenance and upkeep; reduction or elimination of the BBR Postal Station; reconsidering rental services and housekeeping; closing or minimizing the spa, retail outlets and recreational facilities; cutting back on maintenance and Ranchowner support; and maintaining a skeletal staff consistent with minimal cash reserves.

The experiential impact of a failed vote would be significant and the potential loss of employee talent, including management, would likely be a painful chapter in the story of the Ranch.