

Subject:

FW: Ranches / Settlement - Proposed Meeting Monday at 10:00 a.m.

Greg and John,

Here is the framework for a settlement. I have been trying to work through a couple of the insurance issues since we don't have the denial letters. Can you get those to us?

Proposed Settlement

- (1) The Master Association cease operations in three months. Until then, it will collect assessments as normal.
- (2) The Master Association will remain a corporate entity as long as is necessary to fully prosecute any insurance issues. It will not dissolve or take any other action to terminate its existence without the consent of our clients.
 - a. We also assume the master association will want to stay in existence for insurance and claim purposes and to prepay/extend its existing D&O coverage to some point into the future.
- (3) The Master Association will return all assessments, and the detailed accounting, as required by the Court (roughly 400,000) within the time required in the Order.
- (4) The SubAssociations and the Master Association will stipulate to a judgment amount and the entry of a judgment. We are working on that document.
- (5) The Master Association will pay an amount to the SubAssociations to compensate them for all of their attorney fees and costs (estimated at \$750-800,000).
 - a. Roughly 600,000 will be paid by the SubAssociations garnishing the reserve account (to avoid any legal problems with the Master Association making a voluntary payment from that account)
 - b. Roughly 150,000 to 200,000 will be paid from operating funds obtained in the last three months of operations.
- (6) Assuming at least \$150-200,000 is paid from operating funds from three month's operations, the Master Association can refund any assessments prepaid for time periods beyond the three months. Three month's of collections should also leave sufficient funds to pay the manager/vendors to wind down the association and pay all normal operating expenses.
- (7) Upon payment of the attorney fees and costs, the SubAssociations will release all individual owners in the Ranches from any potential claims related to the right to assess and contractually agree not to pursue any such claims.
- (8) The SubAssociations will release all claims against the Manager and Board Members (except only to the extent such a release might interfere with pursuit of any insurance policy).
- (9) At the end of the three months, the Master Association will record a complete release of all documents as to the entire Ranches project. It will need an opinion from its counsel confirming this approach. Just the title work will need some work so this will take some time to put together.
- (10) A Joint Communication from the Master Association and the SubAssociations will be distributed ASAP to all owners explaining the settlement, that it includes a release of any claims against individual owners, and that it hinges on three months more payments. In informal conversations with several owners in the Ranches, Owners have expressed overwhelming support for paying three month's assessments if they know that is the end.
- (11) The Master Association and the SubAssociations will come up with an agreement related to the potential insurance coverage that:
 - a. Allows the SubAssociations to fully evaluate and pursue any insurance claims or potential proceeds for any policy that might have coverage related to the lawsuit and judgment
 - b. Provides for the cooperation of the Master Association, the manager, and the present board members in the pursuit of those claims including provide any documents necessary to the pursuit of those claims.

This is the structure. We would need to work out some details including the insurance provisions. This offer is subject to being reduced to a final agreement and approved by our three boards. Until then, it may be modified, withdrawn, or changed in any way.

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