

STATE OF WASHINGTON
PUBLIC OFFERING STATEMENT
PURSUANT TO LAND DEVELOPMENT ACT

PART I

The undersigned hereby certify that they serve together as the Developer (as defined in RCW 58.19.020(4)) of:

A development known as The Ridge at Hangman, sited in the County of Spokane, State of Washington; which development has been finally platted and recorded in the Office of the Spokane County Auditor under the same name.

To the best of Developers' knowledge, all information, statements and representations made herein are true and correct; namely:

1. The Developers are: Ridge Associates Limited Partnership, an Idaho limited partnership for phases 1-4; Seaboard Washington Limited Partnership, a Washington limited partnership for phases 5-6; and Hangman Corporation, a Washington corporation for phases 7-8. Each development entity is an affiliate of Seaboard Corporation, an Idaho corporation. The business address for all of the entities is P.O. Box 3510, Ketchum, Idaho 83340; and their telephone number is (208) 788-8891.
2. The plats and lots included in this development to date have been recorded with the County as shown:

Plat (Division)	Number of Lots	Date Recorded
1	32	August 10, 1994
2	32	July 24, 1996
3	9	October 28, 1997
4	41	May 27, 1999
5	30	April 9, 2002
6	33	June 3, 2005
7	31	July 12, 2006
8	34	October 5, 2007
Total to Date	242	

3. The lots or parcels in said plats filed of record with the Spokane County Auditor are as follows:

Phase 1:

Lots 1 through 3 and Lots 5 through 10 of Block 1; Lots 1 through 7 of Block 2; Lots 1 through 7 of Block 3; Lots 1 through 3 and Lots 5 through 9 of Block 4; and Lot 1 of Block 5.

Phase 2:

Lots 2 through 6 of Block 5; Lots 1 through 3 of Block 6; Lots 1 through 11 of Block 7; and Lots 1 through 13 of Block 8.

Phase 3:

Lots 1 through 4 of Block 9; and Lots 1 through 5 of Block 10.

Phase 4:

Lots 1 through 12 of Block 11; Lots 1 through 4 of Block 12; Lots 1 through 12 of Block 13; and Lots 1 through 13 of Block 14.

Phase 5:

Lots 1 through 14 of Block 15; Lots 1 through 10 of Block 16; and Lots 1 through 6 of Block 17.

Phase 6:

Lots 1 through 13 of Block 18; Lots 1 through 6 of Block 19; Lots 1 through 3 of Block 20; Lots 1 through 8 of Block 21; and Lots 1 through 3 of Block 22.

Phase 7:

Lots 1 through 9 of Block 23; Lots 1 through 6 of Block 24; and Lots 1 through 16 of Block 25.

Phase 8:

Lots 1 through 13 of Block 26; Lots 1 through 18 of Block 27; and Lots 1 through 3 of Block 28.

4. All property being developed into lots by the Developers at The Ridge at Hangman is included in this Offering Statement.

5. As of January 1, 2012, (a) 43 of the lots described in paragraph 3 in Phase 1-8 that have been platted remain vested in the Developers, and are available or may be made available for sale and (b) 2 of the lots are owned by some of the Declarants. No assessments or charges for water usage are payable to the Association on these lots. As of January 1, 2012, 197 lots in Phase 1-8 had previously been sold and conveyed to third party purchasers. Assessments and charges for water usage, where applicable, are payable to the Association by the owners of these lots. Title to each lot will be transferred to the purchasers at the time of sale.
6. Seller will pro-rate and pay all past-due taxes; record any real estate contracts used in the sales program which will not be fully paid at closing; pay required excise taxes and sellers' closing costs at the time of closing, and either furnish purchasers with title insurance or advise purchasers of their right to obtain title insurance at the time of closing of a sale.
7. There are no covenants, conditions and restrictions except the First Amended and Restated Declaration Establishing Covenants, Conditions, and Restrictions for The Ridge at Hangman, recorded February 4, 2004, as Spokane County, Washington Auditor's File No. 5030732; as subsequently amended by Amendment No. 1 recorded June 9, 2005 as Recording No. 5228545; Amendment No. 2 recorded July 17, 2006 as Recording No. 5407434; Amendment No. 3 recorded March 14, 2007 as Recording No. 5509064; Amendment No. 4 recorded October 5, 2007 as Recording No. 5596918; Amendment No. 5 recorded April 16, 2008 as Recording No. 5664348; Amendment No. 6 recorded January 2, 2009 as Recording No. 5746929; and Amendment No. 7 recorded August 12, 2009 as Recording No. 5823905 and any subsequent amendments that may be recorded after the date of this document and the plats for Phase 1-8 which are considered part of this Public Offering Statement. Copies of the covenants and all parts of the plats are intended to be available to all purchasers prior to sale. The Developers' intention, and the provisions of the covenants, conditions, and restrictions provide that the subject property will be developed into a single family residential planned community with common amenities as set forth in the 1995 Preliminary Plat map and County approvals for the Ridge at Hangman PUD, including subsequent preliminary plat extension approvals. Each owner must receive approval from the Architectural Committee prior to any change to the lot including construction or alteration of any residence, fence, wall, pool or changes to landscaping including tree removal as set forth in the Design Guidelines. Currently the non-refundable design review fee is \$800 for new home construction and is due with the application in addition to the submission of architectural drawings and plans and specifications. Additionally, each owner must deposit \$5,000 with the Ridge at Hangman Homeowners Association (the "Association"), which will be refunded without interest, upon completion of

the improvements in accordance with the approved plans. If the improvements are not completed in accordance with the approved plans, the Association may utilize the deposit to remedy the violations. The design review fee and the refundable architectural deposit are subject to change and Owners may obtain current design review fees and deposits by contacting the Association's manager, KIEMLE & HAGOOD COMPANY 601 W. Main Ave., Suite 400, Spokane, WA 99201, Phone 509-755-7561, Fax 509-458-4014, Attn: Tracy Burnette, Community Association Manager, email: tracy.burnette@khco.com.

NOTICE TO PURCHASERS: THE ENFORCEMENT OF COVENANTS OF A SUBDIVISION OR THE GOVERNING DOCUMENTS OF ANY ASSOCIATION IS THE RESPONSIBILITY OF ALL OF THE LOT OWNERS AND THE ASSOCIATION. NEITHER THE STATE OF WASHINGTON NOR COUNTY AGENCIES ORDINARILY ENFORCE COVENANTS.

8. Roads, trails, and entryway improvements have been constructed by the Developers in connection with providing access to and among lots. A natural trail system containing approximately 3 miles of trails is one of the amenities of the project and is available for the exclusive use of the Ridge residents for hiking, mountain biking or nature viewing. Horses and motorized vehicles are prohibited on the trail system. Since the trail system has been designed to be a natural pathway through the open space of the project, certain natural hazards exist, such as irregular surfaces of loose rocks, occasional fallen trees, erosion ruts from water run-off, and other natural hazards. Each homeowner who uses the trail system acknowledges the inherent risks associated with its use. The ponds and waterfall at the north entrance are designed as a visual amenity and all homeowners are responsible for keeping their children, pets, or visitors out of and away from the ponds and water features at all times.

The project infrastructure improvements, consisting of the water system, roads, installation of gas, electric, phone, the trail system and project landscaping are completed. Individual homes will be constructed on lots over many years in the future. The construction of the individual homes will produce noise, construction traffic, dust and other nuisances associated with heavy construction. Owners should be aware of and accept the inconveniences that will be associated with the future construction of individual homes on any lot.

Upon completion of the water system, roads, and related project infrastructure for each phase (as certified or accepted by the project engineer and or Spokane County), and final recordation of each plat phase, ownership of identified common areas and common amenities was transferred to the Association, which shall thereafter be responsible for its maintenance, repair or replacement or improvements thereto. There are

also identified common areas, consisting of a wildlife preservation area and the areas where the water system wells are located, on real property which is owned by third parties, but permanently protected for the benefit of the Association and Ridge Owners by recorded easements and corresponding rights.

9. A domestic water hookup to a community water system owned by the Association will be available to each lot (except Lots 1-3, Block 28 located on the east side of Latah Creek, water service for which shall be provided according to the Water Service Agreement dated August 16, 2007 between Hangman Corporation and Hangman Hills Water District #15).

Upon connection to the water system, each owner will be required to pay an initial water connection fee to the Developer which has been assigned to the Association. If an owner has not paid the water connection fee on any lot sold by the Developers after July 1, 2009, the Developer reserves the right to require payment of the connection fee with thirty (30) days written notice. Currently, the connection fee for Ridge at Hangman platted lots is \$1,500.00, and the cost of a water meter kit which includes a double check valve assembly is estimated to be approximately \$825.00 for a 1" meter or \$1,600.00 for a 1.5" meter, payable prior to commencement of construction. The cost for water connection fees and meters are subject to change. In addition to the water connection fee and water meter costs, it will be the obligation of the lot purchaser to pay the other connection costs, including the work required for connecting each house to the water service stub located on or near the lot.

Currently, the base water charges are \$250.00 per year, payable quarterly. Additional water charges based on usage are payable annually in December as follows: 0-20,000 cubic feet at \$0.01 per cubic foot; 20,001 -40,000 cubic feet at \$0.0125 per cubic foot; 40,001-80,000 cubic feet at \$0.015 per cubic foot; 80,001-120,000 cubic feet at \$0.0175 per cubic foot and above 120,000 cubic feet at \$0.02 per cubic foot. Commencing January 1, 2007, property owners who have not hooked up to the water system within three (3) years of the date of lot sale by the Developer, are charged an annual fee of \$200, payable quarterly to help defray fixed maintenance costs. These rates are subject to change.

The design for the water system for all eight phases was approved by the Washington State Department of Health. All portions of the community water system serving the platted lots have been certified as complete by the Washington State Department of Health and by the Developers' engineers. The water system is further discussed in Part II of this Statement.

10. There is electricity, telephone and natural gas available for each lot, at the time of sale. Hook-up to the natural gas lines is further discussed in Part II

of this Statement. Electrical hookup charges are payable to Inland Power and Light. Telephone service is to be provided through Qwest. It will be the responsibility of the lot purchaser to pay required hookup charges and to provide necessary trenching from the service stubs on or near the lots in connection with such utility hookups. It will be the responsibility of Inland Power and Light, Qwest and Avista to install such services.

11. It is expected that sewage disposal will be accomplished by means of individual on-site disposal systems. The Developers have received general approval from the Spokane County Health Department for the location of drainfields for each lot prior to recordation of each plat for the subdivision. On some lots, the approved drainfield site is designated in easement areas in open space parcels adjacent to such lots. On most lots, the Spokane County Health Department has preliminarily approved a conventional drainfield, however, depending on the soil conditions and location of the drainfield, non-conventional sewage disposal systems such as a sand filter system or pressure mound system, may be necessary. The preliminary findings of the Health District on each lot at the time of platting are available from the Health District. Prior to receiving a building permit, it will be the responsibility of each lot purchaser to determine the suitability of such locations and to obtain a septic tank permit based on on-site soil conditions, and the size and placement of the proposed dwelling on the lot.
12. There is a community homeowners association known as the Ridge At Hangman Homeowners Association, a Washington nonprofit corporation, which holds title and/or easement rights to common areas and amenities, including community open spaces and trails, as well as the ownership of the water system.
13. Purchasers are also responsible for an assessment of \$500.00 per lot charged by the fire district (No. 3 or No. 8), which has jurisdiction, payable upon issuance of a building permit. To the best of Developers' knowledge, however, such assessment has not been collected to date by the County or the fire districts on any lots at the Development. Therefore, the assessment may or may not be collected in the future on Lots in the Development, at the time of building permit or thereafter.
14. There are no other promised, advertised, or County-required amenities, improvements, or structures, not already explained elsewhere in this Statement.
15. Certain lots have frontage on Latah Creek, which is a natural watercourse that is subject to meandering and possible erosion hazards during periods of high water. All homeowners of lots adjacent to or fronting on Latah Creek acknowledge the inherent risks associated with owning a property near a natural watercourse as signified by their purchase of the Lot. All Owners of

these Lots shall be responsible for instructing their design professionals and builders to site their home to minimize potential damage from flooding, stream meandering and hillside erosion risks. In approving the proposed location of improvements within the Building Envelope, the Architectural Committee and the Association approves such location only from an aesthetic and visual perspective. The approval of such plans shall in no way be construed to be an endorsement that the siting of the house is free from the inherent risks posed by Latah Creek and any natural watercourse. The Owner assumes all such risks and shall have no recourse against the Architectural Committee, the Developers or the Association.

16. The Building Envelopes as shown on Lots 7 and 8 of Block 26 and Lots 1 and 3 of Block 28 reflect the 200' jurisdictional boundary of the Spokane County Shoreline Master Program. The Spokane County Critical Areas Ordinance requires a 250' buffer from Latah Creek. The 250' buffer may be reduced, consistent with the Spokane County Critical Areas Ordinance (11.20.060) which requires the Owner to hire a biological expert to recommend mitigation measures, however, no structures may be located within the 200' jurisdictional boundary of the Spokane County Shorelines Master Program.
17. Two lots in Phase 8, Lot 9 and Lot 10, Block 26, by reason of their size (in excess of 10 acres), unique topography (low impact of horses with respect to visibility and potential nuisances to other Ridge owners), and location (at the far northeastern end of the development and fencing at far rear portion of the lot), have been designated to allow horses. Horses shall only be allowed on the lower elevation of each lot ("Designated Pasture Area"). Unless further restricted by Spokane County regulations, the number of horses per lot shall not exceed six (6). All horses on each lot may only be used in accordance with Spokane County regulations and the conditions set forth on the Phase 8 Plat for the lots. Access to the Designated Pasture Areas shall be restricted to the portion of Lot 9 that is described as the 12' Trail Easement as shown on the Phase 8 plat map. The 12' Trail Easement is for the exclusive benefit of the owners of Lot 9 and Lot 10, Block 26 and use by any other person is prohibited. The Owners of Lot 9 and Lot 10 shall each pay one-half of all costs of maintaining the 12' Trail Easement. No horses are permitted on any portion of Lot 9 and Lot 10, Block 26 except the Designated Pasture Area and horses are only permitted within the 12' Trail Easement for temporary passage. Horses are not permitted on any of the roads, HOA trails, or other common areas of the Ridge at Hangman. The fencing design standards contained in the Design Guidelines shall not be similarly applied to the Designated Pasture Area on Lot 9 and Lot 10, Block 26. Although all improvements related to the containment and use of any horses on these lots are subject to the prior review and approval of the Architectural Committee, fencing may be installed along the lot perimeters within the Designated Pasture Area (subject to Spokane County regulations)

and may enclose a majority of the Designated Pasture Area of each lot and may be of different design and materials than those permitted under the Design Guidelines. The Owners of Lot 9 and Lot 10, Block 26 will be permitted to irrigate the Designated Pasture Area provided that the total annual water use on each lot for all purposes does not exceed 250,000 cubic feet.

18. The real estate parcel labeled "EXCEPTION" shown on the Phase I plat has been annexed and made subject to the provisions of the Declaration and all amendments thereto pursuant to Amendment No. 6 recorded on January 2, 2009. Specific conditions regarding the location of the building envelope, minimum size of the home, driveway access, and location of drainfield on the adjacent Association common area are further discussed in Amendment No. 6 to the Declaration.
19. The Ridge at Hangman Homeowners Association, on the one hand, and the Developer and entities and individuals who participated in the development of the real estate project, on the other hand, have executed a Final and Restated Settlement Agreement and Release ("Final Settlement Agreement") covering certain claims regarding the development. The Developer agreed to make a cash payment to the Association without admission of liability that was intended to help defray the potential costs of future maintenance and/or remediation of the common areas within the Ridge and the Association released the Developer and related entities and individuals from any future claims from either the Association or its members, individually. Further in addition to the indemnity provisions that already existed in the governing documents, the Association agreed to indemnify the Developer and pay the legal expenses for any actions subsequently brought against the Developer and related entities and individuals regarding matters addressed in the Final Settlement Agreement. As of the date hereof, the Association is defending a lawsuit that was filed in Spokane County Court on March 12, 2012 by an individual Ridge member against the Developer and related entities and individuals. A prospective purchaser should contact the Association's manager, KIEMLE & HAGOOD COMPANY 601 W. Main Ave., Suite 400, Spokane, WA 99201, Phone 509-755-7561, Fax 509-458-4014, Attn: Tracy Burnette, Community Association Manager, email: tracy.burnette@khco.com for a copy of (a) the Final Settlement Agreement and (b) any other current information regarding this subject.
20. The development and surrounding area is subject to no known hazards as defined in RCW 58.19.020(7).
21. The Developers agree not to sell lots sight unseen, not to actively or knowingly advertise or promote a program of selling for investment purposes, not to advertise facilities or amenities not actually planned and

expected to be constructed, not to represent that facilities or amenities presently exist which are not actually in existence, and not to engage in those types of advertising and promotional activities noted and prohibited by the State of Washington. It is intended that the Developers will engage in advertising and promotional activity in order to market and sell the subject property through use of signs on and near the property, at the Hangman Valley Golf Course near the property, through direct mail, through the internet at its website, www.ridgeathangman.com, to advertise in local papers, through open houses, through listings in the local multiple listing service, through the Spokane Association of Realtors, and through other promotional events which may be conducted at the property or off site.

22. Pursuant to RCW 58.19.045, unless a prospective purchaser is given this Public Offering Statement more than two days before execution of a contract for the purchase of any lot within the Property, such purchaser shall have the right to cancel their contract within two days after receiving a copy of this Public Offering Statement and, if necessary, shall have two days to review this Public Offering Statement and cancel their contract, to extend the closing date for conveyance to a date not more than two days after the first receipt of this Public Offering Statement. For purposes of this provision, the two day period shall not include Saturdays, Sundays or legal holidays. Any purchaser electing to cancel a purchase and sale contract may do so by hand-delivering notice thereof to the Developers or by mailing notice thereof by pre-paid United States mail to the Developers at the address stated above in this Offering Statement, or at any address provided for service of process. If cancellation is by mailing notice, the date of the postmark on the mail shall be the official date of cancellation. Cancellation may be made without penalty, and all payments made by the purchaser before cancellation will be refunded within 30 days from the date of cancellation.
23. A purchaser may not rely on any representation or express warranty unless it is contained in this Public Offering Statement or made in writing signed by the Developers or by any person identified in this Public Offering Statement as the Developers' agent.
24. This Public Offering Statement is only a summary of the some of the significant aspects of purchasing an interest in this development. Any documents, which may govern or affect the development may be complex, may contain other important information, and create binding legal obligations. Furthermore, all development of the Ridge at Hangman is subject to existing zoning approvals already obtained and to regulatory jurisdiction of Spokane County and other local, state and federal agencies which may have an impact of the development. You should consider seeking assistance of legal counsel.

PART II

SPECIAL INFORMATION ABOUT THE RIDGE AT HANGMAN

DOMESTIC WATER SYSTEM:

The water system to supply domestic water for all eight phases at the Ridge at Hangman is completely installed. The installation of water system improvements has been completed according to plans and specifications previously approved by the Washington State Department of Health. The components for the water system are located in common areas owned by the Association; and partly in areas owned by third parties, but covered by perpetual easements in favor of the Association.

Although the water system has been designed to supply an adequate volume of water, due to variations in elevation, water pressure at each water service stub at each lot will vary considerably and may require owners to install either a pressure reducing or boosting device. It shall be the responsibility of each Owner and/or builder to contact the Association's water system operator to determine if a pressure reducing or boosting device is required to achieve recommended water service pressures.

The assets of the Public Water System at Hangman Ridge, Department of Health ID #034563 were transferred from the Developers to the Association as of January 1, 2002 pursuant to a written contract, Asset Purchase and Sale Agreement as subsequently amended as of July 21, 2009. A copy of said contract, the quit claim deed and the amendment is available by contacting the Association's manager, KIEMLE & HAGOOD COMPANY 601 W. Main Ave., Suite 400, Spokane, WA 99201, Phone 509-755-7561, Fax 509-458-4014, Attn: Tracy Burnette, Community Association Manager, email: tracy.burnette@khco.com. This Agreement provides that:

(1) the Association has sole responsibility for operating, maintaining and insuring the system except that water usage rates or water connection rates may not be changed without the express written permission of the Developers.

(2) the Developers are entitled to use the water system, without charge, for any use associated with development of the project, including construction, irrigation of the common areas and Developer owned lots.

(3) all hook-up or connection fees to the water system are assigned to the Developers so that they may recover some of the capital expenditures in constructing the water system and to secure its interest in these fees, the Developer recorded a consensual commercial lien on the system on August 21, 2009 as permitted by the Asset Purchase and Sale Agreement, provided however that the Developers assigned these fees back to the Association as part of the Final and Restated Settlement Agreement and Release. The Developers have the exclusive right to establish the fees for connection to the water system. The Developers were also granted the exclusive right to allow or refuse to allow entities other than the Association or its members to connect with the system.

The water system has been designed to have adequate capacity for providing these additional services, which offsite connections, if made, will help defray the future operating costs of the water system to Ridge residents.

On April 10, 2007, the Association entered into an agreement to permit Spokane County to connect to the water system for purposes of providing water service to public restrooms and drinking fountains located on a portion of the Hangman Valley Golf Course. Spokane County agreed to pay for its usage at the same rates as all other Ridge water system users and the water service was connected in 2008. On December 23, 2008, the Association entered into an agreement with the owner of an adjacent property whereby the owner agreed to pay the Association for its water usage at the same rates as all other Ridge water system users and allow authorized Association personnel to use its driveway to access the wells and pump house during the winter months (Nov.1 through Apr. 30).

It is possible that there will be additional users of the water system, including adjacent non-Ridge property owners who will desire access to the water system, which access must be approved by the Developer including the amount of connection fees to be paid to the Developer and water usage fees to be paid to the Association. The Association will be a user of the water system without charge for its irrigation needs.

Each lot will be permitted to irrigate up to ½ acre, unless the owner is granted specific approval for additional irrigation area, as evidenced in writing from the Association.

SEWAGE DISPOSAL:

All of the lots in the plat have received general approval for individual on-site septic disposal systems. Prior to receiving a building permit, however, a lot owner will be required to obtain a septic tank permit based upon the size and placement of the proposed dwelling on the lot, and the desired placement of the drainfield. Certain lots have soil conditions which may pose possible drainage problems which could restrict the size and placement of a dwelling, or could involve system design requirements which would result in substantially increased installation costs for on-site sewage disposal.

NATURAL GAS:

Natural gas lines were installed at the Ridge during 1999, and any property owner who purchases a homesite from the Developers after May 1, 1999 will be permitted access to the natural gas line by the Association without an access charge. Owners of the following lots: Lot 5, Block 2; Lots 1 and 3, Block 6; Lot 8, Block 4; and Lots 2 and 3, Block 9; which were purchased from the Developers prior to May

1, 1999, elected not to participate in the costs of installing the natural gas line in 1999, but may be permitted access to the natural gas lines in the future by paying an access fee to the Developers. The amount of the access fee shall be \$1,500 multiplied by the increase in the Consumer Price Index in the Spokane area between (i) the month immediately preceding the date on which the owner hooks up to the gas line and (ii) May 31, 1999. All owners are responsible for any and all costs of installing the gas service to their homes from the closest location where the gas line has been installed.

WILDLIFE PRESERVATION AREAS:

An approximate 100 acre Wildlife Preservation Area that is adjacent and to the south of the Phase 4 plat below Hangman Creek Lane and Fairway Ridge Lane (on both sides of Latah Creek, including the alfalfa fields) and Tract F on the Phase 8 plat containing approximately 36 acres have been established as a protected bird and animal sanctuary ("Wildlife Preservation Areas") in accordance with the provisions of the Preliminary Plat Approval by Spokane County. The area is intended to provide wildlife with a protected and secure refuge, and restrictive signage has been installed around the perimeter of the 100 acre parcel and will also be installed around the 36 acre parcel. Although the 100 acre parcel is not owned by the Ridge at Hangman Homeowners Association, this parcel has been protected in perpetuity by restrictive covenants and a perpetual easement in favor of the Association, as required by the Preliminary Plat approval. Hunting, trapping, intentional flushing, or any other action which may be harmful to, or shall constitute harassment of any wildlife is prohibited. No Owners or their invitees, pets, or guests or the public shall be permitted within these Wildlife Preservation Areas. Each Owner at the Ridge at Hangman shall be responsible for assuring compliance with these provisions.

PARADISE ALLIANCE LITIGATION:

The Association imposed a mandatory special assessment of \$100 per homeowner as of July, 2004 which raised \$10,200 and accepted additional voluntary contributions from Ridge homeowners of \$14,050 to contribute to an organization, Paradise Alliance, founded to oppose the zoning application for a gravel pit which was proposed to be located approximately 1 to 3 miles south of the Ridge. The Developers agreed to match all funds raised from the Ridge homeowners during 2004. The Association agreed to pay for 1/3 of the expenses of the Paradise Alliance. As of January 1, 2005, the Ridge homeowners had contributed \$24,250, which was matched by an equal contribution of \$24,250 from the Developers. During 2005 and 2006, the Association paid approximately \$20,900 of expenses leaving a cash escrow balance held by the Association of approximately \$11,100 as of December 31, 2006 for further expenses of the Paradise Alliance. No expenses have been incurred since that date.

The Developers and the Association have been informed by counsel to the Paradise Alliance that the Court ruled against the applicant denying him access to the proposed pit and that the applicant has subsequently withdrawn the application. Accordingly, the unused escrow balance has been refunded on a pro-rata basis to the owners and the Developers who made the voluntary contributions.

PART III

GENERAL INFORMATION ABOUT THE COMMON PROPERTY AND AMENITIES AND COMMUNITY ASSOCIATION

MULTIPLE OFFERING:

A non-profit corporation, the Ridge at Hangman Homeowners Association, has been created to hold ownership and/or easement rights in common properties and amenities for the project, including the water system, and a trail system and common open space areas. When you purchase a lot you will also be purchasing a non-dividable right to use and enjoy the common properties and amenities in common with all lot owners. The Association will be the means of ownership for those common property interests and is responsible for payment of the costs of maintaining all Association assets.

MEMBERSHIP IN THE ASSOCIATION – COMMON PROPERTY:

The development includes certain common areas and facilities as described elsewhere in this Statement. This is the property which you are entitled to use and enjoy in common with others through membership in the Ridge at Hangman Homeowners Association. The Association owns or holds easement rights in the common property. Through legally enforceable provisions in a recorded declaration establishing covenants, conditions and restrictions, as well as various amendments, your membership in the Association will be mandatory and automatic at the time you purchase a lot. The purchase will automatically entitle AND OBLIGATE you to be a member of the Association and, in most instances, will include a beneficiary interest for you and your family in the common areas and facilities. A certain portion of your purchase price will most likely represent the value and cost of the interest in the community-owned properties you will acquire.

WHAT IS THE ASSOCIATION?

An automatic-member community homeowners association should not be confused with a voluntary civic or social club. The Association will manage the property, operating under legal documents, which may restrict the uses of your property. The majority rules, and what the group wants under the agreements, you will have to accept, too. In addition to providing a means for ownership and management of the common properties, the Association serves other purposes. The Association will provide a means to accomplish architectural control throughout the development and to enforce the covenants of record and other land use restrictions. You should realize that there are restrictions, which may be enforced limiting the way in which you may build or use your land or residence.

VOTING CONTROL OF ASSOCIATION:

The First Amended and Restated Declaration Establishing Covenants, Conditions, and Restrictions for the Ridge at Hangman (the "Declaration") provide that the Developer will retain control until the earlier of (i.) the date on which the total cumulative votes of the Class A Members [lots sold to third party purchasers] equal or exceed the total votes of the Class B Member [the Developer] or (ii.) August 25, 2009. On August 25, 2009, a Special Meeting was held and a new Board of Trustees was elected and control and management of the Association has been transferred from the Developers to all lot owners collectively. The voting rights of membership are stated in the Declaration and amendments thereto and other governing instruments, which includes the Articles of Incorporation and By-Laws of the Association. For this reason, YOU SHOULD READ THE DECLARATION AND AMENDMENTS THERETO, THE ARTICLES OF INCORPORATION AND BY-LAWS CAREFULLY. YOU ARE TO BE GIVEN COPIES OF THEM AS ATTACHMENTS WITH THIS DISCLOSURE STATEMENT.

GOVERNING INSTRUMENTS:

Your ownership in this development and your rights and remedies as a member of its association will be controlled by governing instruments which generally will include (1) Declaration Establishing Covenants, Conditions and Restrictions and amendments thereto which have been recorded and the applicable recorded plat, (2) Design Guidelines as originally adopted and amended from time to time, (3) Association Articles of Incorporation and (4) Association By-laws. The provisions of these documents are intended to be, and in most instances are, enforceable in a court of law. The Association's governing documents are also subject to the provisions of this state's Non-Profit Corporation Act (RCW Ch. 24.03) and the provisions regarding Homeowners' Associations (RCW Chapter 64.38). Both the Developers and the Association are expected to comply with the requirements of any applicable laws. Copies of all governing documents for your association are available online at www.ridgeathangman.com for your review. You should also have been given copies of such documents. YOU SHOULD STUDY THESE DOCUMENTS CAREFULLY BEFORE ENTERING INTO A CONTRACT TO PURCHASE.

ASSESSMENTS AND ASSOCIATION BUDGET:

In order to provide funds for operation and maintenance of the common properties, the Association has the authority to levy assessments against an owner's lot. IF AN OWNER IS DELINQUENT IN THE PAYMENT OF ASSESSMENTS, THE ASSOCIATION MAY ENFORCE PAYMENT THROUGH COURT PROCEEDINGS

OR THE LOT/UNIT MAY BE LIENED AND SOLD THROUGH THE EXERCISE OF A POWER OF SALE. THE ANTICIPATED INCOME AND EXPENSES OF THE HOMEOWNERS ASSOCIATION, INCLUDING THE AMOUNT THAT OWNERS MAY INITIALLY EXPECT TO PAY ANNUALLY THROUGH ASSESSMENTS AND WATER USAGE FEES, HAS BEEN OUTLINED IN THE CURRENT YEAR BUDGET PREPARED BY THE ASSOCIATION, A COPY OF WHICH IS ATTACHED AS APPENDIX "A". THIS BUDGET SHOULD BE EXAMINED CAREFULLY. DOES IT REALISTICALLY AND ACCURATELY PROJECT THE FUTURE COSTS OF MANAGING AND MAINTAINING ASSOCIATION PROPERTIES? DOES IT PROVIDE ADEQUATE RESERVES FOR MAJOR MAINTENANCE EXPENSES OR REPLACEMENT OF FACILITIES?

ASSESSMENTS - NON-RESIDENT OWNERS:

If you are purchasing a lot with the possibility of being an absentee owner for any period of time, you should realize that you must still pay the usual and prescribed homeowner assessments to the Association, whether or not you build a home or actively use Association properties and facilities. Homeowner assessments begin on the date of acquiring ownership. If the Association properly elects to increase assessments for any authorized improvements or to pay for increased or unforeseen maintenance costs, you will have the same legal obligations to pay as would any resident owner. Additionally, commencing January 1, 2007, lot owners who have not hooked up to the water system within three (3) years of the date of lot sale by the Developer, are charged a minimum water fee to help defray fixed maintenance costs.

FINANCIAL REPORTS - BOOKS AND RECORDS OF THE ASSOCIATION:

The Association is required to follow certain practices relative to management, record keeping and reporting of the Association's finances. THE ASSOCIATION BOOKS AND FINANCIAL RECORDS ARE TO BE MADE AVAILABLE FOR YOUR INSPECTION AT REASONABLE HOURS AND TIMES. You should also be provided with a report on the finances and the proposed budget of the Association at least once a year.

COOPERATIVE LIVING - RESTRICTIONS ON ACTIVITY AND LAND USE:

When contemplating the purchase of a lot in a common-interest development, you should consider factors beyond the attractiveness of the lot itself. Study the governing instruments and give careful thought to whether you will be able to exist happily in an atmosphere of cooperative living when the interests of the group must be taken into account as well as the interests of the individual. Remember that managing a common-interest association is very much like governing a small

community - the management can serve you well, but you will have to work for its success. There are actions that can be taken by the governing body without a vote of the members of the association, which can have a significant impact upon the quality of life for association members. You should contemplate active participation in the affairs of the association as trustees or on committees created by a board. In short, the association will be you and your neighbors. In addition to restrictions on land use and to some degree personal activity, you will find that building and construction are subject to prior review and approval by an architectural control committee. You should study the limitations and restrictions on building activity found in the governing documents carefully and realize that they are most likely enforceable in a court of law.

YOUR OBLIGATIONS AS A MEMBER OF AN ASSOCIATION:

1. To pay assessments properly authorized and to share expenses of the association.
2. To comply with the provisions of the governing documents, including proper and reasonable restrictions on land use or personal activity.
3. To attend the annual meeting, vote, and participate actively in the affairs of the association.
4. To take proper care of association property.

YOUR RIGHTS AS A MEMBER OF AN ASSOCIATION:

1. To proper use and sharing of association properties and facilities.
2. To receive annual reports on the financial and business affairs of the association.
3. To vote, run for office and serve on committees.
4. To have reasonable access to association books and records, including minutes of meetings.
5. To have written notice of all association meetings and voting matters.
6. To observe Board meetings

PART IV

THE COMMUNITY PROPERTY AND ASSOCIATION MEMBERSHIP, PART OF THE DEVELOPMENT KNOWN AS THE RIDGE AT HANGMAN

TO THE READER:

This part of the Public Offering Statement contains specific information about your use and enjoyment rights associated with certain common areas and amenities, which are part of the development.

Located in: Spokane County, State of Washington

This community property, in which you are receiving an undivided right to use and enjoy in common with other owners, interest is to be held and managed by a non-profit corporation known as: Ridge at Hangman Homeowners Association.

CONTENTS:

- A. The nature of your interest in the property
- B. General information about your association and the community property
- C. Number of members to be making use of facilities and amenities
- D. Ownership status of the community property
- E. Your association - its operation, management and structure:
 - 1. The Board of Trustees
 - 2. The Association Officers
 - 3. The Registered Agent
 - 4. The Official Address
 - 5. The Classes of Memberships
 - 6. The Voting Rights and Voting Procedures for Members
 - 7. Control of the Association
 - 8. Removal of Trustees and Officers
 - 9. Amending Governing Documents
 - 10. Annual Meetings
 - 11. Books, Records and Financial Reports
 - 12. The Association Budgets
 - 13. Assessments
 - 14. Enforcement of Assessment Collection
 - 15. Association Insurance

A. THE COMMON PROPERTY - NATURE OF YOUR INTEREST:

When you purchase a lot in this development, you will also be purchasing a right held in common with other owners in the Ridge at Hangman to use and enjoy common property and amenities located within the development. Part of your purchase price represents the value of this property. It is to service your recreational, social and amenity needs. Ownership of this property is by means of membership in the Ridge at Hangman Homeowners Association. Such membership is mandatory. It goes with the purchase of your lot. You will automatically lose the membership and your interest in this property when you sell your lot, as your right to use and enjoy this common property will be transferred with your ownership in the lot. Your use and rights in this property is undivided and will be non-dividable for the life of the association or the term of your use.

B. GENERAL INFORMATION ABOUT YOUR ASSOCIATION:

The Ridge at Hangman Homeowners Association was established on January 20, 1994 by the filing of Articles of Incorporation with the Secretary of State, State of Washington, pursuant to the provisions of RCW 24.03, the Washington Non-Profit Corporation Act. Its state U.B.I. number is 601 521 812. The incorporator was the Developers' agent, Brian McCoy.

AS A NON-PROFIT CORPORATION, THE ASSOCIATION CANNOT MAKE A PROFIT FOR DISTRIBUTION TO ITS MEMBERS, OFFICERS OR DIRECTORS. WERE IT TO ATTEMPT TO DO SO, IT MIGHT LOSE ITS LEGAL STANDING, BE SUBJECT TO SUIT, OR LOSE CERTAIN MEMBER IMMUNITIES AND TAX BENEFITS. ITS PRIMARY PURPOSE IS TO OWN AND MANAGE FOR THE BENEFIT OF ITS MEMBERS THE RECREATIONAL, SOCIAL AND AMENITY FACILITIES CONSTITUTING THE COMMUNITY PROPERTY.

C. NUMBER OF MEMBERS TO BE MAKING USE OF FACILITIES:

There are 242 lots in Phases 1-8, however, three lots which have been platted as a part of Phase 8 (Lots 1-3, Block 28), are located across Latah Creek and the owners of these Lots will be known as Special Limited Members. The Special Limited Members may not utilize the Common Areas of the Association, such as the roads, trails, and other infrastructure requiring management and maintenance and therefore will be exempt from payment of Assessments as set forth in Section 7 except Section 7.4. Special Limited Members will not be entitled to vote in the Association. The Special Limited Members are subject to all provisions of the Declaration regarding Architectural Control and the Architectural Committee of the Association.

Pursuant to the terms of Amendment No. 6, a previously unplatted parcel of land located within the boundary of Phase I of the original plat has been annexed into the Project. As a result, there will be a total of 240 property owners who will be members of the Association, entitled to vote, and share in the use of community property and the costs of the maintenance of the project after the Developers and Declarants sell all the lots owned by them.

D. OWNERSHIP STATUS OF THE COMMON PROPERTY:

The common property consists of the tracts in Phases 1-8 that have been designated as common areas on each plat and the water system that has been transferred to the Association. As noted elsewhere in this Public Offering Statement, portions of the wildlife preservation area and common areas where the wells for the water system are located are owned by third parties, but protected as common areas and amenities for the Association and Ridge owners through restrictive covenants and perpetual easements.

E. YOUR ASSOCIATION, ITS OPERATIONS AND MANAGEMENT:

The Covenants, Conditions and Restrictions of record provide for the creation of the association whose purpose is to own or hold easement rights in, and to manage the common property advertised as part of this development.

1. Board of Trustees: Business affairs of the Association are conducted by a Board of Trustees. There are currently seven (7) trustees on the Board, who are:

- a. Shaun Cross, 13019 S. Buttercup Lane, Spokane WA 99224
- b. John Kizziar, 1517, E. Wildflower Lane, Spokane, WA 99224
- c. Byron McLean, 13128 S. Fairway Ridge Lane, Spokane, WA 99224
- d. Jenae Ball, 1525 E. Wildflower Lane, Spokane, WA 99224
- e. Jeanenne Morphis, 12902 S. Buttercup, Spokane, WA 99224
- f. Amy Galloway, 2010 E. Wildflower Lane, Spokane, WA 99224
- g. Tom Temple, 1524 E. Wildflower Lane, Spokane, WA 99224

2. Association Officers: Association officers are selected by vote of the Board of Trustees. Currently, neither the trustees nor officers receive compensation for their services as trustees or officers. The current officers are:

- a. Shaun Cross, President
- b. Byron McLean, Vice President
- c. John Kizziar, Secretary
- d. Tom Temple, Treasurer

3. Registered Agent: The registered agent for the Association as of the date of this Public Offering Statement is Philip Brooke Esq., % Paine Hamblen LLP, 717 West Sprague Ave., Suite 1200, Spokane, WA 99201-3505. The purpose for this agent is to accept service on behalf of the Association were the Association to be named as a defendant in a lawsuit.
4. Association Official Address: The official address as of the date of this Public Offering Statement is % Kiemle & Hagood, 601 West Main Avenue, Suite 400, Spokane, WA 99201.
5. Classes of Membership: On August 25, 2009, the Class B membership held by the Developer has been converted to Class A membership with one vote for each lot owned.
6. Voting Rights and Procedures: Members are entitled to vote in the selection and election of trustees, after the Developers lose voting control of the Association. Trustees shall be responsible for the business affairs and operation of the Association.
7. Control of the Association: On August 25, 2009, a Special Meeting was held and a new Board of Trustees was elected and control and management of the Association has been transferred from the Developers to all lot owners collectively.
8. Removal of Trustees and Officers: Any trustees may be removed at any time with or without cause with a majority vote of the total voting power of the members of the Association present in person or by proxy and entitled to vote at a meeting at which a quorum is present. Any officer may be removed from office by a majority of the Board at any time with or without cause.
9. Amending Governing Documents: Except where specifically stated otherwise, the governing documents may be amended in most respects by a majority of the votes held by all lot owners including the lots owned by the Developers.
10. Annual Meetings: Annual meetings of the Association will be held not less frequently than once each calendar year prior to April 15. OWNERS ARE TO BE SENT WRITTEN NOTICE OF ANNUAL AND SPECIAL MEETINGS NO LESS THAN FOURTEEN DAYS AND NO MORE THAN SIXTY DAYS PRIOR TO THE DATE SET FOR SUCH MEETING as provided in RCW, Chapter 64.38.
11. Books, Records, and Financial Reports: RCW 64.38.045 provides that members of the Association have access to all records and that they shall be available for examination by all owners on a reasonable advance notice during normal working hours at the offices of the association or its managing agent. The Board of Trustees of the Association established procedures regarding access to this information.

As provided in RCW, Chapter 64.38, at least annually, the Association shall prepare, or cause to be prepared, a financial statement of the association. The financial statements of associations with annual assessments of fifty thousand dollars or more shall be audited at least annually by an independent certified public accountant, but the audit requirement for any year may be waived if sixty-seven percent of the votes cast by owners, in person or by proxy, at a meeting of the association at which a quorum is present, vote to waive the audit for that year.

12. Annual Budget: (a) Current Operations. The Board has adopted the Budget for the Association, a copy of which is attached hereto as Appendix "A". This document should be reviewed by any prospective purchaser prior to making a purchase. (b) Long Term Capital Expenditures. Significant improvements requiring maintenance by the Association include the water system, entrances, water features and other landscaped common areas, roads, and the trails. In addition to routine maintenance, it is anticipated that some of these assets will need to be replaced in future years. There are no additional planned improvements to be constructed in the common areas at this time.

13. Assessments: (a) Annual Assessments. You will be required to pay assessments to the Association. The 2012 Annual Assessment has been fixed by the Board at \$1,430 per year payable quarterly.

(b) Special Assessments. If there is a shortfall in the amount of receipts versus expenses of the Association, it is possible that the deficiency will be paid by a Special Assessment charged to all owners (excluding the Declarants), unless such deficiency is funded out of the Association's cash reserves. The amount of future assessments thereafter will be projected from the Association budgets, and will be set by the Board.

THE AMOUNT MAY BE INCREASED AS THE RESULT OF UNFORESEEN CONTINGENCY, INADEQUATE RESERVE PROTECTIONS, OR A LAG IN ASSESSMENT COLLECTIONS. AN OWNER'S FIRST ASSESSMENT IS DUE AT THE CLOSING OF THEIR LOT, WITH THE AMOUNT TO BE PRO-RATED. THEREAFTER, ASSESSMENTS WILL BE DUE IN QUARTERLY PAYMENTS MADE IN ADVANCE. PAYMENTS SHOULD BE MADE PAYABLE TO THE RIDGE AT HANGMAN HOMEOWNERS ASSOCIATION, and mailed to the Association's manager, KIEMLE & HAGOOD COMPANY 601 W. Main Ave., Suite 400, Spokane, WA 99201, Phone 509-755-7561, Fax 509-458-4014, Attn: Tracy Burnette, Community Association Manager, email: tracy.burnette@khco.com

(c) Water Charges. In addition to the initial connection fee and expense of the water meter kit, you will be required to pay periodic bills for domestic and irrigation uses which are currently as follows:

Base Water Charge: \$250.00 per annum payable quarterly

Water Usage Charge: 0-20,000 cubic feet at \$0.01 per cubic foot; 20,001 - 40,000 cubic feet at \$0.0125 per cubic foot; 40,001-80,000 cubic feet at \$0.015 per cubic foot; 80,001-120,000 cubic feet at \$0.0175 per cubic foot and above 120,000 cubic feet at \$0.02 per cubic foot, which will be payable annually in December.

Homeowners will be permitted to irrigate up to ½ acre unless granted a variance in writing. These fees are subject to change.

(d) Transfer Assessments: Upon transfer of title or sale of any lot or home from an existing owner (excluding Developers), to a new owner, the new owner must pay a transfer assessment fee equal to \$250.00 to the Association to mitigate the costs associated with such transfer of title such as establishing new accounting records. These fees are subject to change.

(e) Assessments for Special Limited Members: The Special Limited Members (owners of Lots 1-3, Block 28), upon purchase of a lot from Hangman Corporation, agree to be bound by the terms and conditions of the Easement recorded June 22, 2007 as Spokane County, Washington Auditor's File No. 5553212 (the "Golf Course Easement") and each Special Limited Member agrees to assume one-third (1/3) of the obligation for future maintenance of the Latah Creek Lane as set forth in Paragraph 2 of the Golf Course Easement. Additionally, the Special Limited Members shall be responsible for the maintenance, including snow removal, repair and replacement of the driveway area and the landscaping installed at the intersections and each Special Limited Member agrees to pay 1/3 of the costs of such work. The scope of such work shall be determined by a majority vote among the three Special Limited Members.

14. Enforcement of Assessment Collection: Effective collection of assessments and water charges is an important and necessary part of association management and owners' community ownership. Unpaid assessments may result in financial problems for the association and a greater financial burden being placed upon other members. IF A MEMBER FAILS TO PAY ASSESSMENTS WHEN DUE, THE FOLLOWING RESULTS ARE BOTH LEGAL AND PROBABLE:

- a. The owner will pay penalties for each delinquency.
- b. The deficiencies constitute a lien on the owner's lot which must be paid before any resale, or which may be collected by the association through legal proceedings.
- c. The owner may be sued personally for amounts due, together with delinquency charges, interest, costs, and attorneys' fees.

d. The owner's name will appear as a delinquent on all association financial reports going to association members.

e. The owner will not be allowed to vote or otherwise participate in the affairs of the Association until defaults are cured.

15. Association Insurance: The Association could be responsible to third parties for its acts or omissions or for injury caused to others through use of Association property, and the Association has obtained liability insurance protection. This liability coverage does not cover injuries to others through an owner's own acts while on Association property, or while on the owner's property. OWNERS SHOULD CARRY THEIR OWN LIABILITY INSURANCE FOR SUCH PROTECTION.

The liability policy does not cover injury or property loss to any lot owner or lessee of an owner. Owners have also agreed, pursuant to governing documents for the Association and the development, to hold the officers and trustees of the Association harmless from any lawsuit or claim by an owner or a guest using Association property with the owner's permission.

Insurance for fire and general casualty coverage on Association properties is carried by the Association. It is anticipated that losses may be excluded from coverage if done deliberately by an owner, and that other provisions regarding coverage and exclusions may apply. It is also anticipated that this coverage will not protect an owner's personal property, only Association property.

Dated: June 8, 2012


RIDGE ASSOCIATES LIMITED PARTNERSHIP,
an Idaho limited partnership,
By: SEABOARD CORPORATION, an Idaho corporation,
General Partner

By: 
Brian M. McCoy, President

SEABOARD WASHINGTON LIMITED PARTNERSHIP
a Washington limited partnership
By: SEABOARD CORPORATION, an Idaho corporation,
General Partner

By: 
Brian M. McCoy, President

HANGMAN CORPORATION
a Washington corporation


Brian M. McCoy, President

APPENDIX "A", consisting of 6 pages, is attached hereto and has been prepared by the Association.

The Ridge at Hangman
2011/ 2012
Cash Flow Summary

		2012 BUDGET	2011 ACTUAL	2011 BUDGET	2010 ACTUAL
<u>INCOME:</u>					
40501	Operation and Maintenance	\$284,570	\$280,074	\$280,280	\$267,631
40505	Utilities- Water Flat Fee	\$37,438	\$37,840	\$37,438	\$36,443
40510	Capital Reserve	\$0	\$0	\$0	\$0
40570	Water Standby Fee	\$8,496	\$9,209	\$8,496	\$8,121
	Capital Reserve WS	\$0	\$0	\$0	\$63
	Special Assessment	\$0	\$0	\$0	\$285
	Misc Assessment	\$0	\$950	\$0	\$7,385
40572	Water-Excess Use	\$70,000	\$75,526	\$80,000	\$56,793
41370	Gate Remotes	\$0	\$690	\$300	\$6,000
41560	Insurance Proceeds		\$0	\$0	\$19,398
41655	Misc Income - Bond Forfeiture	\$0	\$2,000	\$0	\$7,000
40577	Water Hookup Fee	\$0	\$0	\$0	\$0
40591	Water Meter Fee	\$0	\$0	\$1,650	\$0
41395	Late Fees	\$0	\$2,535	\$0	\$3,501
54610	Legal Fees	\$0	\$0	\$0	\$96
41405	Unit Transfer Fee	\$1,500	\$2,500	\$1,500	\$4,250
41420	Interest Income	\$700	\$800	\$900	\$1,160
41407	Arch. Design Fee	\$2,400	\$2,875	\$2,400	\$1,050
TOTAL INCOME		\$405,104	\$414,999	\$412,964	\$419,176
<u>OPERATING EXPENSES:</u>					
52490	Utilities	\$5,000	\$4,736	\$4,080	4,032
52598	Taxes, Licenses, Assessments	\$1,955	\$847	\$1,955	308
52798	Insurance	\$28,736	16,812	7,166	7,398
53030	Management Fees	\$43,260	\$42,991	\$44,460	43,241
53190	Electric Expense	\$3,300	\$3,721	\$3,600	7,873
53790	Parking Lot, Road, Path Expense	\$149,839	\$100,163	\$136,500	110,411
53799	Water System	\$78,450	\$77,560	\$82,934	79,916
53990	Landscaping Expense	\$60,104	\$85,805	\$78,721	54,463
54090	Security & Safety Expense	\$8,150	(\$2,775)	\$18,204	37,770
54290	General Maintenance	\$2,100	\$5,377	\$2,100	7,221
54470	Marketing	\$3,000	\$2,424	\$4,500	2,537
54790	Administrative Expense	\$16,920	\$71,288	\$41,729	43,121
TOTAL OPERATING EXPENSES		\$400,814	\$408,949	\$425,949	\$398,291
<u>ASSOCIATION NET CASH FLOW</u>		<u>\$4,290</u>	<u>\$6,050</u>	<u>(\$12,985)</u>	<u>\$20,888</u>

**The Ridge at Hangman
2012 Budget
Revenue Detail**

		<u>2012 BUDGET</u>	<u>2011 ACTUAL</u>	<u>2011 BUDGET</u>	<u>2010 ACTUAL</u>
<u>RESIDENT ASSESSMENTS</u>					
40501	Operation and Maintenance	284,570.00	280,074.42	280,280.00	267,631.43
	Capital Reserve-	0.00	0.00	0.00	62.50
	Special Assessment	0.00	0.00	0.00	285.00
	Misc Assessment	0.00	950.00	0.00	7,384.74
40505	Utilities- Water Base Fee	37,437.50	37,840.39	37,437.50	36,442.50
Total Resident Assessments		322,007.50	318,864.81	317,717.50	311,806.17
<u>OTHER INCOME</u>					
41395	Late Fees	0.00	2,534.61	0.00	3,501.03
54610	Legal Fee	0.00	0.00	0.00	96.26
41405	Unit Transfer Fee	1,500.00	2,500.00	1,500.00	4,250.00
41407	Arch. Design Fee	2,400.00	2,875.00	2,400.00	1,050.00
40570	Water Standby Fee-Oper.	8,496.00	9,208.89	8,496.00	8,121.28
40572	Water-Excess Use	70,000.00	\$75,525.75	\$80,000.00	\$56,792.78
41370	Gate Remotes	0.00	690.00	300.00	6,000.00
41560	Insurance Proceeds	0.00	0.00	0.00	19,397.77
41655	Misc Income - Bond Forfeiture	0.00	2,000.00	0.00	7,000.00
40577	Water Hookup Fee	0.00	0.00	0.00	0.00
40591	Water Meter Fee	0.00	0.00	1,650.00	0.00
41420	Interest Income	700.08	799.89	900.00	1,160.29
Total Other Income		83,096.08	96,134.14	95,246.00	107,369.41
<hr/>					
TOTAL INCOME		405,103.58	414,998.95	412,963.50	419,175.58

**The Ridge at Hangman
2012 Budget
Expense Detail**

		2012 BUDGET	2011 ACTUAL	2011 BUDGET	2010 ACTUAL
<u>UTILITIES</u>					
52310	Electricity - General Building	\$5,000	\$4,736	\$4,080	\$4,032
52390	Refuse	\$0	0	0	0
Total Utilities		5,000	4,736	4,080	4,032
<u>TAXES, LICENSES, ASSESSMENTS</u>					
52510	Real Estate Tax	\$285	\$286	\$285	\$283
52550	License, Permits	\$1,415	\$561	\$1,415	\$25
52580	Income Tax	\$255	\$0	\$255	\$0
Total Taxes, Licenses, Assessments		1,955	847	1,955	308
<u>INSURANCE</u>					
52710	Casualty - Multi-Peril	\$26,100	\$16,812	\$5,608	\$5,683
52720	Directors & Officer's Policy	\$2,636	\$0	\$1,558	\$1,715
Total Insurance		28,736	16,812	7,166	\$7,398
<u>MANAGEMENT FEES</u>					
53040	Management Meeting Fees	\$500	475	1,700	922
53020	Management Fees	\$42,760	\$42,516	\$42,760	\$42,318
Total Management Fees		43,260	42,991	44,460	43,240
<u>ELECTRIC EXPENSE</u>					
53110	Repairs-including bulbs & fixtures	\$3,300	\$3,721	\$3,600	\$7,873
Total Electric Expense		3,300	3,721	3,600	7,873
<u>PARKING LOT, ROAD, PATH EXPENSE</u>					
53642	Repairs-Roads-Drainage	\$80,339	\$27,721	\$80,000	\$73,851
53650	Cleaning	\$2,500	\$2,362	\$2,500	\$2,362
53685	Professional Fees- Engineering	\$5,000	\$1,815	\$5,000	\$0
53690	Misc	\$2,000	\$0	\$2,000	\$2,000
53660	Snow Removal	\$60,000	\$68,265	\$47,000	\$32,198
Total Parking Lot, Road, Path Expense		149,839	100,163	136,500	110,411

**The Ridge at Hangman
2012 Budget
Expense Detail**

		2012 BUDGET	2011 ACTUAL	2011 BUDGET	2010 ACTUAL
<u>WATER SYSTEM</u>					
53710	Water Manager Labor & Travel	\$35,000	\$27,917	\$37,965	\$25,051
53715	System Lab Tests	\$1,300	\$448	\$1,399	\$1,332
53720	Meter Purchases	\$5,000	\$21,278	\$18,570	\$20,379
52360	Water System Utilities - "Gas Other"	\$20,200	\$17,113	\$19,000	\$18,132
53725	Engineering-CCC	\$0	\$0	\$0	\$14,670
53730	Repairs-Maintenance	\$16,950	\$10,804	\$6,000	\$352
Total Water System		78,450	77,560	82,934	79,916
<u>LANDSCAPING EXPENSE</u>					
53910	Lawn Mowing	\$11,304	\$11,304	\$11,291	\$11,066
53920	Sprinkler System Repairs	\$4,800	\$8,053	\$5,000	\$5,499
53930	Shrubs, Flowers, Trees	\$8,000	\$11,552	\$10,819	\$11,922
53940	Spray and Fertilizer	\$15,000	\$15,992	\$8,298	\$13,601
53950	Grounds Maintenance	\$20,000	\$27,688	\$30,623	\$10,972
53960	Water Feature Maintenance	\$1,000	\$69	\$1,000	\$0
53981	Trail Maintenance	\$0	\$11,147	\$11,690	\$1,402
Total Landscaping Expense		60,104	85,805	78,721	54,462
<u>SECURITY & SAFETY EXPENSE</u>					
54021	Firewise Maintenance	\$5,000	\$2,540	\$15,000	\$248
54075	Gate Repairs	\$1,800	(\$6,751)	\$1,800	\$36,078
54080	Telephones	\$1,350	\$1,436	\$1,404	\$1,444
Total Security & Safety Expense		8,150	(2,775)	18,204	37,770
<u>GENERAL MAINTENANCE</u>					
54290	Miscellaneous	\$2,100	\$5,377	\$2,100	\$7,221
Total General Maintenance		2,100	5,377	2,100	7,221
<u>MARKETING</u>					
54476	Resident Relations - Social Committee	\$3,000	\$2,424	\$4,500	\$2,537
Total Marketing		3,000	2,424	4,500	2,537

**The Ridge at Hangman
2012 Budget
Expense Detail**

		2012 BUDGET	2011 ACTUAL	2011 BUDGET	2010 ACTUAL
<u>ADMINISTRATIVE EXPENSE</u>					
54610	Legal	\$5,000	\$58,681	\$25,000	\$23,835
54650	Accounting	\$800	\$714	\$4,025	\$525
54665	Bank Charges, Escrow Fees	\$0	\$0	\$0	\$0
54680	Supplies	\$0	\$0	\$204	\$0
54685	Postage, Special Delivery	\$1,350	\$669	\$1,350	\$1,263
54710	Meeting Expenses	\$420	\$588	\$600	\$364
54785	Professional Fees- AC	\$9,000	\$10,236	\$10,200	\$16,956
54790	Miscellaneous	\$350	\$400	\$350	\$177
Total Administrative Expense		16,920	71,288	41,729	43,120
TOTAL OPERATING EXPENSES		\$400,814	\$408,949	\$425,949	\$398,288
<u>NET OPERATING INCOME</u>		\$4,290	\$6,050	(\$12,986)	\$20,888
ASSOCIATION NET CASH FLOW		\$4,290	\$6,050	(\$12,986)	\$20,888

2011 BUDGET NOTES:

Insurance- Package Liability, D&O & Umbrella Policy premium totalled \$23,341.63 for period 6/7/2011- 6/7/2012. This cost was financed for \$703.62 to ensure cash flow availability due to increasing legal expenses mid year. Title Insurance was also purchased for an additional \$2,345.27.

Roads- 2011 budget was cut midyear with the help of the IC due to increasing legal expenses, snow removal came in over budget partially due to \$10,000 from 2010 being paid in 2011.

Water System- Unbudgeted emergency repair required in September totalled \$8,356

Landscaping - Irrigation was over budget mostly due to \$2,097.95 for reducing the irrigated area at the Excelsior entry. This was originally budgeted for, along with the rest of the project and the Stentz renovation project, under General Maint.

Landscaping - Spray & Fertilizer - Underbudgeted for the 2011 year, line item increased for 2012.

Firewise- 2011 budget was cut mid year with help from IC due to increasing legal expenses.

Gate Repairs - Actual expenses totalled \$1,749 but year ended at (\$6,751) due to a credit in January from another HOA for a Dec 2010 invoice paid for \$8,500 on their behalf in error.

General Maintenance -The installation of speed limit and curve warning signs were found necessary but not in the budget.

Database: KIEMLE
ENTITY: 4315

BALANCE SHEET
KIEMLE & HAGOOD COMPANY
THE RIDGE AT HANGMAN HOA

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Time: 02:17 PM

Accrual

As of December 27, 2011

Dec 2011

ASSETS

Cash - K & H Operating	9,540.59
Cash - Money Market Account	53,398.95
Cash - Cert. of Deposit-Reserves	166,802.08
Refundable Builder Bonds	18,000.00
Operating Accounts Receivable	17,682.51
Exception Lot Receivable	27,298.60

TOTAL ASSETS	292,722.73
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LIABILITIES

Builder Bonds	18,000.00
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TOTAL LIABILITIES	18,000.00
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EQUITY

Retained Earnings	274,722.73
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TOTAL EQUITY	274,722.73
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TOTAL LIABILITES AND EQUITY	292,722.73
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