

March 21, 2017

TO: White Bluff Property Owners
FROM: Your Board of Directors
John Bass, Vice President
RE: Not a Tit for Tat but a Rat a Tat Tat

Make White Bluff Great – A Time for Action

Another Mike Ward fantasy has been sent out to 6,000+ property owners. The TRUTH is that the Board is not getting Dan Saturn to solicit proxies, PERIOD!

Yes, Mr. Saturn may be soliciting proxies. Your White Bluff POA Board has encouraged and will continue to encourage all Property Owners (POs) to solicit proxies and vote them as they see fit. Why? Because this is a "Property Owners Association," and we encourage all POs to participate. This means that all POs in WB have the right to participate in the governing process of the WBPOA rather than one individual claiming to own it all and demanding control of everything. No more setting up the rules to benefit himself off the backs of the POs.

While we are on that subject of; "benefiting himself", we should recall a little history. Around 2012, MW/DD (Mike Ward/Double Diamond), entered negotiations with the local water company, Hilco United, a subsidiary of Hilco Electric Cooperative. The supposed purpose was for the selling of the WB water/sewer system. After months of negotiations, investigations, due diligence, and expense by Hilco, Hilco signed a contract to buy the WB system. At closing MW/DD refused to sign as the seller and walked away from the negotiations. One asks, what could possibly be the reason for this? A short time later MW/DD approached a Cleburne, Texas bank to borrow \$3,000,000 against the assets of the WB water/sewer system, more than likely using the signed sales contract presented to DD by Hilco to establish the water/sewer system's value as an asset to secure the loan. One would think, GREAT, we are going to get some improved infrastructure in the WB system. To the best of our knowledge, no significant improvements were made. Certainly not \$3,000,000 worth.

Last fall a water/sewer rate increase application was filed with the Texas PUC by Mike Ward and DD. Upon close inspection, a debt service was listed as a partial justification for the needed increase. You guessed it, a \$3,000,000 loan from a Cleburne, Texas bank with balance due August 7, 2017. So, let's recap, MW/DD gets a \$3,000,000 loan and then asks the White Bluff Rate Payers to pay it back to the bank for him through increased water and sewage rates, and the Rate Payers will get NOTHING for their money. This has HAPPENED.

Now, let us review the current "country club" proposal by DD and MW. Yes, your WBPOA Board offered \$6,500,000 to buy the amenities at WB from MW/DD, subject to all necessary approvals, including, PO approval and a vote. We as a Board doubted that valuation on the open market considering some tax appraisals. But to most who live here, we see the value of having the amenities versus not having them as a very significant influence in maintaining everyone's property value. After months of due diligence and legal expense, the Board signed a contract to purchase, but MW/DD walked away from the negotiations. Are you starting to see a pattern here? MW/DD now claims that he will GIVE the amenities to you, the POs, for FREE. Let's examine what FREE is really going to cost you. MW/DD states he will give the amenities to the new non-profit WB Country Club, and he will control the CC Board and the governing documents. Mike Ward filed the articles of incorporation for White Bluff Country Club in December, 2013 and listed himself, Stack Bowers, the Vice-President of Hospitality, and Fred Molsen, the General Manager of White Bluff Resort, as the EXECUTIVE Board. First, we would suspect he might be eligible to take a substantial tax deduction for such a magnanimous gift. Probably up to \$6,500,000. It could happen! Why? Because, MW/DD had a signed contract for the POA to

purchase the assets for that amount. So, if he "gives" the assets to the country club, he may be able to get a \$6,500,000 INCOME TAX DEDUCTION.

In addition, the Hill County Appraisal District has mysteriously increased the appraisal value on the two golf courses from around \$2,000,000 in 2015 to nearly \$4,000,000 in 2016. Higher appraisal could mean higher TAX DEDUCTION!

Now, MW/DD says the country club is a great deal for the POs. In addition to the \$6,500,000 of possible INCOME TAX DEDUCTIONS (PLUS likely property tax savings to DD in the MILLIONS), MW wants POs to pay him nearly \$4,000,000 in management fees for the amenities over the next 12 years, amenities that he currently manages for free.

In addition, it is likely that MW/DD could obtain loans against these White Bluff amenities with a signed sales contract and tax appraisals that establish their current value. It could happen! Why? Because it's happened before. Re-read paragraphs 3 and 4. How much in loans you ask? Maybe up to \$6,500,000.

Now let's take this one step further. If MW/DD gains control of the WBPOA Board at our Annual Meeting or a special meeting prior to the annual meeting, we anticipate that he votes on the WBPOA Board to demand the POs accept the amenities for FREE with the obligation to repay the principle and interest on any loans against those amenities. You as a property owner in White Bluff would be FORCED to PAY OFF all those loans and encumbrances. It could happen. Why? Because it has happened before. Re-read paragraphs 3 and 4.

So, what does FREE really cost you? It could cost you \$4,000,000, plus up to \$6,500,000, plus interest, plus tax deductions, plus deferred maintenance and renovation costs, plus Country Club Assessments, all of which you will be charged for.

Seriously ask yourself, what are you getting for your money? Have you seen any documents or filings that show you, as "members," you will own anything? No, and neither has the WBPOA Board. **A promise of a temporarily reduced maintenance fee for a billing cycle or two is all you may get, but after that the fees will very likely dramatically increase, and you as a property owner will be at the mercy of a WBPOA Board that is controlled by Mike Ward.**

This entire country club "proposal", which is simply a concept on paper and not a detailed proposal, is an effort just to get your proxy. If MW/DD really wanted to give you, the POs, the amenities all MW/DD needs to do is sign them over as he should have done years ago. He does not need to spend hundreds of thousands of dollars on a lengthy telephone and mail campaign to get your vote or proxy. Ask yourself, WHY? We think you know the answer.

In a few days, you will receive your January billing from FirstService Residential for the WBPOA maintenance fees. Included in that mailer will be a proxy form granting the WBPOA your proxy to vote on your behalf. We are property owners just like you. MW/DD should not be trusted to vote a proxy in your best interest. Please complete and return the proxy form if you have not yet returned one **to the WBPOA, using the return options listed at the bottom of the form.** You may also download and print a copy of the proxy form by visiting the WBPOA website, <http://www.whitebluffpoa.com/proxy.html>.

If we, as the non-compensated WBPOA Board, thought that your long-term interests would be best served by MW/DD's Country Club plan, we would tell you that and support it. However, **the Board unanimously opposes Mike Ward's plan for the White Bluff amenities.** As fellow property owners, the Board is asking you to help us make White Bluff Great.

Thank you for taking your time,

Your WBPOA Board